

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Dave Camp
Chairman
Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Orrin Hatch
Ranking Member
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Sander Levin
Ranking Member
Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

July 26, 2013

Dear Chairmen and Ranking Members:

As Congress confronts the challenge of reforming the tax code to make American businesses more competitive, the undersigned organizations representing thousands of S corporations, partnerships and sole proprietorships offer the following three principles to help guide your efforts.

First, tax reform needs to be comprehensive. Most private sector workers are employed at pass-through businesses that pay taxes at the individual rates, not the corporate rates. To ensure that we avoid harming a large segment of American employers, tax reform needs to be comprehensive and include both the individual and the corporate tax codes.

Second, Congress needs to keep the tax rates paid by individuals and corporations at similar, low levels. The resolution of the fiscal cliff resulted in individuals and pass-through businesses paying, for the first time in a decade, a significantly higher top marginal tax rate than C corporations. Splitting business income and taxing it at different rates penalizes pass-through businesses and encourages planning to circumvent the higher rates, ultimately resulting in wasted resources and lower growth. To ensure that tax reform results in a simpler, fairer and competitive tax code, Congress needs to keep top tax rates low, and it needs to keep them at similar levels.

Third, Congress should continue to reduce the incidence of double taxing business income. A recent study by Ernst & Young made clear that the predominance of pass-through businesses in the United States, and the single layer of tax they face, results in higher levels of investment and employment. This prevalence of pass-through taxation is the result of purposeful and explicit reforms enacted by Congress over the past half-century. A key goal of tax reform should be to continue this progress to tax business income only once.

By embracing these broad concepts, Congress can move the taxation of business income in a direction that helps ensure that all employers, regardless of how they are organized, are able to invest and create jobs here in America.

We appreciate your consideration of these priorities.

Sincerely,

**Aeronautical Repair Station Association
Air Conditioning Contractors of America
American Council of Engineering Companies
American Farm Bureau Federation ®
American Feed Industry Association
American Supply Association
American Trucking Associations
AMT-The Association for Manufacturing Technology
Associated Builders and Contractors
Associated Equipment Distributors
Associated General Contractors of America
Association of RV Parks and Campgrounds
Automotive Aftermarket Industry Association
Aviation Suppliers Association
Building Owners and Managers Association International
Construction Industry Round Table
Design Professionals Coalition
Financial Executives International
Financial Services Institute
Hearth, Patio and Barbecue Association
Heating, Air-Conditioning & Refrigeration Distributors International
Independent Community Bankers of America
Independent Electrical Contractors
Independent Insurance Agents & Brokers of America
Industrial Minerals Association - North America
International Council of Shopping Centers
International Foodservice Distributors Association
International Franchise Association
International Housewares Association
International Warehouse Logistics Association
Land Improvement Contractors of America
Metal Treating Institute
Metals Service Center Institute
Modification and Replacement Parts Association
Motor & Equipment Manufacturers Association
National Apartment Association
National Association of Chemical Distributors
National Association of Convenience Stores
National Association of Shell Marketers
National Association of the Remodeling Industry
National Association of Truck Stop Operators
National Association of Electrical Distributors**

National Automobile Dealers Association
National Beer Wholesalers Association
National Club Association
National Electrical Contractors Association
National Federation of Independent Business
National Funeral Directors Association
National Grocers Association
National Industrial Sand Association
National Lumber and Building Material Dealers Association
National Multi Housing Council
National Newspaper Association
National Propane Gas Association
National Ready Mixed Concrete Association
National Restaurant Association
National Retail Federation
National Roofing Contractors Association
National Small Business Association
National Tooling and Machining Association
National Utility Contractors Association
Non-Ferrous Founders' Society
North American Equipment Dealers Association
Petroleum Marketers Association of America
Precision Machined Products Association
Precision Metalforming Association
Printing Industries of America
Professional Beauty Association
S Corporation Association
Secondary Materials and Recycled Textiles Association
Small Business Legislative Council
Truck Renting and Leasing Association
Wine and Spirits Wholesalers of America