

June XX, 2014

The Honorable Pat Tiberi
U.S. House of Representatives
106 Cannon House Office Building
Washington, D.C. 20515

The Honorable Ron Kind
U.S. House of Representatives
1502 Longworth House Office Building
Washington, D.C. 20515

Dear Representatives Tiberi and Kind:

The undersigned organizations, representing hundreds of thousands of businesses from every state and from every industry sector, are writing in strong support of H.R. 4457, the *America's Small Business Tax Relief Act of 2014*. This vital legislation would restore the small business expensing—sometimes called Section 179 expensing—level to \$500,000, including limited improvements to real property and permanently index the level to inflation.

Small business expensing allows business owners to immediately deduct the cost of a qualified investment in the year that it is purchased, rather than being forced to depreciate the cost of the investment over time. Since 2003, Congress has steadily increased the amount of investment that small businesses can expense from \$25,000 to \$500,000. Support for this expansion has been long-standing, bipartisan and widespread. Legislation expanding and/or extending small business expensing has been enacted eight times, across two Presidential Administrations and six Congresses, under both Democratic and Republican leadership. These higher expensing limits were temporary, however, and beginning in 2014 they reverted to \$25,000 and will remain there unless Congress acts.

While expensing provides important relief to small business owners, it is not a “tax cut” or a “tax loophole.” Small business expensing simply gives companies the ability to recover the cost of investing in their own businesses more quickly than if they use depreciation. Expensing does not lead to a loss of revenue to the government over the lifetime of an investment—it is not a matter of *if* revenue is collected, but *when*. Additionally, small business expensing is available to *all* small businesses that purchase less than a specified amount of equipment each year.

Small business expensing gives business owners the ability to maximize investment in their companies during years when they have positive cash flow. This provides an incentive for small business owners to reinvest in their businesses, which fuels expansion, growth and jobs. This is particularly important for small businesses because they are more sensitive than larger firms to problems related to cash flow and are more reliant on earnings to finance new investment.

Additionally, small business expensing simplifies record-keeping and paperwork. Under standard depreciation, small business owners must keep records of, and file tax paperwork associated with, their investments for up to 40 years. According to a 2007 Internal Revenue Service (IRS) study, each small business devotes, on average, about 240 hours complying with the tax code, and spends over \$2,000 in tax compliance costs each year. An overwhelming share of the time burden is due to record-keeping. Furthermore, high tax compliance costs consistently rank as a top concern of small business owners, and act as a drag on investment, growth and innovation. Small business expensing, as the Joint Committee on Taxation (JCT) notes, reduces the compliance burden for many taxpayers, freeing up time and resources to better devote to their businesses.

The roller-coaster, ad-hoc changes in the level of small business expensing, which have often been enacted retroactively in recent years, has greatly contributed to uncertainty and prevented long-term planning. Making the higher small business expensing limits permanent and predictable would greatly reduce uncertainty and reduce the incidence of tax policy driving business decisions.

Passage of legislation permanently maintaining small business expensing at \$500,000 will increase investment and jobs, reduce complexity and paperwork and alleviate uncertainty. These are critical issues for small businesses, which continue to experience a challenging business climate in the face of a stagnant economic recovery. We thank you for introducing H.R. 4457, the *America's Small Business Tax Relief Act of 2014* and urge all Members of Congress to support this important legislation.

Sincerely,

Cc: Hon. Dave Camp

Hon. Sander Levin