

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

May 11, 2011

Dear Chairmen and Ranking Members:

As organizations representing millions of closely-held employers across the country, we are writing to express our strong opposition to any tax reform plan that will negatively impact 95 percent of America's businesses.

Every day, nearly 70 million Americans wake up and go to work at a firm organized as something other than a C corporation. These "flow-through" businesses, structured as S corporations, partnerships, LLCs, or sole proprietorships, contribute more to our national income and our job base than all the publicly-traded corporations combined.

Despite this economic importance, the published reports indicate the Treasury Department intends to pursue a tax "reform" process that would benefit C corporations at the expense of flow-through businesses. According to recent estimates by Ernst & Young, this approach to tax reform could increase taxes on flow-through job creators of *all* sizes by at least \$27 billion per year, making it more difficult for them to raise capital and hire new employees.

Moreover, reports suggest that the Treasury plan may force certain flow-through employers to pay taxes as C corporations despite the fact that the C corporation structure subjects U.S. firms to double taxation, thereby making them less competitive. As the Ernst & Young study makes clear, subjecting more firms to C corporation taxes "raises the overall cost of capital in the economy, which reduces capital formation and, ultimately, living standards." Recent testimony before the Ways & Means and Finance Committees has reinforced this point.

It is hard to see how a significant tax hike on a large segment of this country's employers will improve the job market or make U.S. businesses more competitive.

As Congress debates the future of the tax code, we strongly encourage the tax-writing committees to pursue reforms that recognize the economic value of all employers, regardless of how they are organized.

Thank you for your consideration.

Sincerely,

**American Council of Engineering Companies  
American Institute of Architects  
Associated Builders & Contractors, Inc.  
Associated General Contractors of America  
Financial Planning Association  
Food Marketing Institute  
Independent Community Bankers of America  
International Council of Shopping Centers  
International Franchise Association  
National Apartment Association  
National Association for the Self-Employed  
National Association of Home Builders  
National Association of Wholesaler-Distributors  
National Beer Wholesalers Association  
National Federation of Independent Business  
National Funeral Directors Association  
National Lumber and Building Material Dealers Association  
National Multi Housing Council  
National Roofing Contractors Association  
National Small Business Association  
National Tooling & Machining Association  
Precision Machined Products Association  
Precision Metalforming Association  
Printing Industries of America  
Professional Beauty Association  
S Corporation Association  
Small Business Legislative Council  
Tire Industry Association  
Truck Renting & Leasing Association  
U.S. Chamber of Commerce  
Wine & Spirits Wholesalers of America**