

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

October 12, 2011

Dear Chairmen and Ranking Members:

As Congress confronts the challenge of reforming the tax code to make American businesses more competitive, the undersigned organizations offer the following three principles to help guide your efforts.

First, tax reform needs to be comprehensive. Most workers in the United States 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 address both the individual tax code and the corporate tax code.

Second, Congress needs to keep the tax rates paid by individuals and corporations at similar, low levels. Splitting business income and taxing it at significantly different rates would encourage planning to circumvent the higher rates, ultimately resulting in wasted resources and lower growth. To ensure that tax reform results in a more simple 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, continue to invest and create jobs here in America.

We appreciate your consideration.

Sincerely,

**Aeronautical Repair Station Association
Air Conditioning Contractors of America
American Council of Engineering Companies
American Foundry Society
The American Institute of Architects
American Subcontractors Association, Inc.
American Supply Association
Associated Builders and Contractors, Inc.
Associated Equipment Distributors
The Associated General Contractors of America
Automotive Aftermarket Industry Association
Financial Planning Association
Financial Services Institute, Inc.
Independent Community Bankers of America
Independent Insurance Agents & Brokers of America
International Council of Shopping Centers
International Foodservice Distributors Association
Manufacturers' Agents National Association
Manufacturing Jewelers and Suppliers of America
National Apartment Association
National Association for the Self-Employed
National Association of Convenience Stores
National Association of Wholesaler-Distributors
National Automobile Dealers Association
National Beer Wholesalers Association
National Electrical Contractors Association
National Electrical Manufacturers' Representatives Association
National Federation of Independent Business
National Funeral Directors Association
National Home Furnishings Association
National Lumber and Building Material Dealers Association
National Multi Housing Council
National Restaurant Association
National Roofing Contractors Association
National Small Business Association
National Tooling and Machining Association
Precision Machined Products Association
Precision Metalforming Association
Professional Beauty Association
Promotional Products Association International
S Corporation Association
Small Business Legislative Council
Truck Renting and Leasing Association
Wine & Spirits Wholesalers of America**

Wood Machinery Manufacturers of America