

May 21, 2012

The Honorable Harry Reid
Office of the Senate Majority Leader
S-221 Capitol Building
Washington, D.C. 20510

The Honorable Mitch McConnell
Office of the Senate Minority Leader
S-230 Capitol Building
Washington, D.C. 20510

Dear Majority Leader Reid and Minority Leader McConnell:

As organizations representing millions of small businesses across the country, we urge you to pass S. 2050, the *Small Business Tax Extenders Act of 2012*, sponsored by Sens. Olympia Snowe (R-ME) and Mary Landrieu (D-LA). It is critical to extend small business tax provisions that work to spur business investment, increase cash flow, and reduce tax complexity.

According to the Small Business Administration (SBA), 65 percent of net new jobs over the past 17 years were created by small businesses; but small businesses have struggled to grow and create jobs in the current environment. S. 2050 provides incentives for small businesses to invest in and expand their businesses. It also represents a comprehensive approach that assists all business types and structures, including start-ups, S corporations, and the self-employed. Finally, the bill helps to reduce tax complexity, an important concern to small business owners who spend more than \$1,500 per employee on tax compliance according to the SBA.

Since 2003, Congress has steadily increased the allowable Section 179 expensing amount from \$25,000 to \$500,000 for tax year 2011. This expensing provision encourages businesses to immediately deduct the full value of investments in equipment in the year the investment is made rather than claiming the deduction over a longer depreciation period, greatly simplifying tax preparation. The bill expands the definition of qualified property to real property and computer software, thus encouraging business owners to invest in construction and IT related projects.

S. 2050 provides tax equity to the nation's self-employed businesses by expanding the deductibility of health insurance to apply to employment taxes. Health care costs remain the top concern for small business, and this provision helps the self-employed save money on their health care costs, thus freeing up their ability to invest in other expenses and investments.

The bill grants much-needed relief to S corporations by increasing their ability to access capital. It does so by reducing the built-in gains holding period for S corporations. When businesses convert from a C corporation to an S corporation, they have been required to hold their appreciated assets for up to a decade or else face a punitive level of double taxation.

S. 2050 also helps new start-up businesses get off the ground. Typically, businesses can deduct their expenses in the year the expenses are paid. However, a start-up business is limited in the amount it can deduct, and managing such expenses is important to starting a successful business. Most new small businesses face significant start-up costs, including advertising; obtaining licenses, permits and fees;

paying rent; hiring business and financial consultants; and providing employee training. S. 2050 addresses this issue by allowing up to \$10,000 through the end of 2012.

Finally, the bill contains several other provisions that benefit a variety of small businesses. These include an extension of the five-year carryback of general business credits for eligible small businesses, an extension of the Alternative Minimum Tax Rules for general business credits, and cost recovery benefits for long-term contract accounting.

As you look for opportunities to help small businesses create jobs and invest in their businesses and communities, we encourage you to pass S. 2050 as soon as possible. We look forward to working with you as the 112th Congress continues.

Sincerely,

American Farm Bureau Federation®
American Lighting Association
American Rental Association
Associated Builders and Contractors
Association of Equipment Manufacturers
Automotive Aftermarket Industry Association
Financial Executives International – Committee on Private Company Policy
Financial Services Institute, Inc.
Independent Community Bankers Association
Metals Service Center Institute
National Association for the Self-Employed
National Association of Home Builders
National Beer Wholesalers Association
National Federation of Independent Business
National Funeral Directors Association
National Roofing Contractors Association
National Small Business Association
Printing Industries of America
Professional Beauty Association
Small Business & Entrepreneurship Council
Small Business Legislative Council
Society of Chemical Manufacturers and Associates
The S Corporation Association
Tire Industry Association
Truck Renting and Leasing Association
U.S. Chamber of Commerce