

May 14, 2014

## **Permanently Extend 5-Year Recognition Period for Built-In Gains**

Dear Senators:

As representatives of America's small and closely-held businesses, we ask that you support the amendment offered by Senators John Thune, Ben Cardin, and Pat Roberts making permanent the 5-year recognition period for built-in gains.

Small businesses are the engine of America's economic growth and S corporations are the cornerstone of the small business community. There are more than 4.5 million of them nationwide. They are in every community and every industry and, according to Ernst & Young, they employ one out of every four private sector workers.

Unlike public corporations, these closely-held businesses have little or no access to the capital markets. Instead they rely on banks, relatives, and their own savings to fill their investment and working capital needs. An overly long built-in gains recognition period makes this disadvantage worse by preventing converted S corporations from accessing their own capital and putting it to better use.

Locking up a company's capital for an entire decade is simply unreasonable. Past Congresses have recognized that a decade is too long and voted to reduce the recognition period on three separate occasions, but those temporary measures have expired and the 10-year rule is back in effect.

Enacting a permanent shorter recognition period would sustain the original intent of the rule while providing S corporations with much needed certainty. It would allow them to make decisions based on what is best for the company rather than the dictates of the tax code. At a time when our economy badly needs increased investment, allowing more companies to access their own, locked-up capital is an important step.

On behalf of America's Main Street business community, we respectfully ask that you support the Thune amendment and permanently extend the 5-year recognition period for built-in gains.

Thank you for your consideration.

**Aeronautical Repair Station Association  
American Institute of Architects  
American Supply Association  
American Trucking Associations  
Associated Builders and Contractors, Inc.  
Associated Equipment Distributors**

**Associated General Contractors of America**  
**Auto Care Association**  
**Food Marketing Institute**  
**Heating, Air-conditioning and Refrigeration Distributors International**  
**Independent Electrical Contractors**  
**National Association of Wholesaler-Distributors**  
**National Beer Wholesalers Association**  
**National Electrical Contractors Association**  
**National Funeral Directors Association**  
**National Grocers Association**  
**National Roofing Contractors Association**  
**S Corporation Association**  
**Small Business Council of America**  
**Small Business Legislative Council**  
**Subchapter S Bank Association**  
**Truck Renting and Leasing Association**  
**United States Business and Industry Council**  
**Wine & Spirits Wholesalers of America**