

April 29, 2014

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

Dear Members of the House Ways and Means Committee:

As representatives of America's small and closely-held businesses, we ask that you support legislation (H.R. 4453) making permanent the 5-year recognition period for built-in gains, as introduced by Representatives Dave Reichert (R-WA) and Ron Kind (D-WI).

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 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 Federation of Independent Business
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