

June 11, 2014

Pass the S Corporation Permanent Tax Relief Act of 2014

Dear Member of the U.S. House of Representatives:

As representatives of America's closely-held businesses, we ask that you support legislation (H.R. 4453) making permanent the 5-year recognition period for built-in gains, as well as the basis adjustment for charitable giving by S corporations.

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 companies that have chosen to become 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.

Furthermore, making permanent the basis adjustment to stock of S corporations that make charitable contributions of property would help bring consistent treatment among flow-through businesses, and would allow America's S corporations to be more active and supportive of much-needed charitable activities.

On behalf of America's Main Street business community, we respectfully ask that you vote in favor of the S Corporation Permanent Tax Relief Act of 2014.

Thank you for your consideration.

**Aeronautical Repair Station Association
Air Conditioning Contractors of America
Agricultural Retailers Association
American Council of Engineering Companies**

American Institute of Architects
American Rental Association
American Supply Association
American Trucking Associations
Associated Builders and Contractors, Inc.
Associated Equipment Distributors
Associated General Contractors of America
Auto Care Association
Financial Executives International
Food Marketing Institute
Heating, Air-conditioning and Refrigeration Distributors International
Independent Community Bankers of America
Independent Electrical Contractors
Metals Service Center Institute
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 Lumber and Building Material Dealers Association
National Roofing Contractors Association
National Small Business Association
S Corporation Association
Small Business Council of America
Small Business Legislative Council
Subchapter S Bank Association
The Association For Manufacturing Technology
Truck Renting and Leasing Association
United States Business and Industry Council
Wine & Spirits Wholesalers of America