



September 10, 2015

The Honorable Charles W. Boustany, Jr.
U.S. House of Representatives
1431 Longworth House Office Building
Washington, D.C. 20515

The Honorable Richard E. Neal
U.S. House of Representatives
341 Cannon House Office Building
Washington, D.C. 20515

Dear Representatives Boustany and Neal:

The S Corporation Association¹ (S-Corp) commends your efforts to encourage investment in domestic innovative activity through the release of the Innovation Promotion Act of 2015 discussion draft. We greatly appreciate the opportunity to provide comments on the discussion draft, which are focused on ensuring that Subchapter S corporations and their shareholders are treated equitably and consistent with generally acknowledged tax reform goals.

Ideally, the tax code should provide an incentive for *all* businesses to engage in innovative activity, regardless of how they are organized. Innovation comes in all shapes and sizes, including activities beyond those that qualify for the proposed "innovation box profit" deduction. The best means of ensuring that all types of innovation are treated fairly, therefore, is to apply the same, low top marginal tax rate to all business income.

Just as overall rate relief should apply to all business income regardless of entity type, so should the benefits of an innovation box. As currently structured, however, the draft does not allow Subchapter S corporations and other pass through businesses to benefit from the proposed deduction (i.e., the benefit of the deduction is limited to Subchapter C corporations).

As part of their contribution to the U.S. economy and employment base, Subchapter S corporations make significant capital and human resource investments in domestic innovative activity and, as a result, are responsible for the creation of significant numbers of domestic innovation jobs. Indeed much of today's innovation comes from small businesses which are often organized as Subchapter S corporations and they would be put at a competitive disadvantage with large Subchapter C corporations under the tax code if they are not allowed to take advantage of the "innovation box" deduction.

Expanding the availability of the "innovation box" deduction to pass through businesses is consistent with the principle that business-related deductions and credits be generally applicable

¹ The S Corporation Association is the only organization in Washington, D.C. exclusively devoted to promoting and protecting the interests of America's 4.5 million Subchapter S corporations. The S Corporation Association was founded in 1996.



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to all businesses, regardless of form. We therefore respectfully request that the discussion draft be amended to allow Subchapter S corporations and other pass through businesses to benefit from this deduction.

The S Corporation Association greatly appreciates the opportunity to comment on the discussion draft and would be pleased to work with you and your staffs to ensure that Subchapter S corporations and their shareholders are treated equitably. If you have any further questions or need additional information, please feel free to contact me at your convenience.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Brian Reardon', is written in a cursive style.

Brian Reardon
President
The S Corporation Association