



January 14, 2015

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Dear S-CORP Member:

So 2016 began where 2015 left off – with a concerted attack on private businesses and their owners.

Just before the Christmas break, the *New York Times* [ran](#) a lengthy piece on how wealthy taxpayers have their own, private tax code that enables them to avoid paying their fair share. The Hillary Clinton campaign immediately used the story as a pretext to [call](#) for higher taxes, including taxes paid by S corporations.

Nevermind that the IRS came out the very next day – the next day! -- with a new [report](#) showing the effective tax rate on the wealthiest Americans increased by more than one-third in 2013. If the wealthy have set up their own tax system, apparently it's not working.

That 2013 tax hike was a result of the so-called Fiscal Cliff that hit S corporations particularly hard. One of our S-CORP Board members [testified](#) last April 15th that the Fiscal Cliff caused the effective tax rate on his mid-western manufacturing company to increase from 34 to 42 percent in 2013. That's a 14 percent reduction in the resources he has to invest in new capital and hire new workers. Not good.

It was testimony like this that motivated S-CORP to organize a coalition of trade groups to restore rate parity for pass-through businesses. Last February, 120 organizations – including NFIB, the Farm Bureau, and the Restaurant Association – joined this effort and signed our [letter](#) to Congress outlining the priorities of the pass-through community.

Overall, 2015 was one of S-CORP's most effective years ever. Not only did we build an enormous coalition of trade groups to support tax rate parity for pass-through businesses, we also saw our top legislative priority made permanent by Congress and signed into law, and we continued to educate policymakers on what S corporations are and how they should be made a central part of any effort to enact tax reform.

Enactment of permanent built-in gains relief is worth a special note. S-CORP began this effort more than a decade ago, and has on several occasions won temporary reductions in the 10-year recognition period for built-in gains. But this year our Hill champions – including Reps. Dave Reichert (R-WA) and Ron Kind (D-WI), and Sens. Orrin Hatch (R-UT), Pat Roberts (R-KS) and Ben Cardin (D-MD) – were able to prevail and make the shorter, five-year holding period permanent.



DEFENDING AMERICA'S SMALL AND FAMILY-OWNED BUSINESSES

With built-in gains in the win column, for 2016 we intend to continue our two-prong strategy of seeking to improve the rules that govern S corporations while also pressing for tax reform that treats the pass-through community fairly.

Our S corporation modernization efforts will continue to highlight the limitations that apply to S corporations only, including the prohibition against foreign investment. In a global economy, it simply makes no sense to block S corporations from accessing capital just because it comes from overseas. No other business form is subject to this limitation, and it shouldn't apply to the S corporation either.

Meanwhile, we intend to continue to invest in critical research in 2016, specifically research that helps arm our allies with the best and most current data on the importance of the S corporation to the economy and jobs, as well as building out our efforts for rate parity and fairness in tax reform, including formalizing our pass-through business coalition with a new name, website, and messaging.

What can you do to help?

- ✓ **Renew your membership for 2016. S-CORP is not flashy, and we don't have lots of bells and whistles. What do we have is great advocacy, and advocacy starts with our members. Renew today!**
- ✓ **Spread the word. Our best ambassadors and recruiters are our members. Let other private businesses in your community know about S-CORP and the important work that we do.**

As the campaign around the *New York Times* story makes clear, the war on private enterprise continues to gain strength, and it's groups like the S Corporation Association that will have to rise up to the challenge. If we're not willing to defend our businesses and the people we employ, who will?

Again, I am deeply appreciative of your support and look forward to working with you in 2016 to defend the greatest vehicle for private enterprise ever invented -- the S corporation.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tony Simmons'.

Tony Simmons  
Chairman, S Corporation Association  
President & CEO, The McIlhenny Company