

July 11, 2017

The Honorable Mitch McConnell
Senate Majority Leader
S-230 United States Capitol
Washington, DC 20510

Dear Senator McConnell:

As the Senate continues to debate reforms to the U.S. health care system, the undersigned organizations call on you to make repeal of the harmful Affordable Care Act (ACA) net investment income (NII) tax a priority.

The NII tax was enacted as part of the ACA and sold as both a “tax on the rich” and as a means of shoring up the Medicare trust fund. The tax has no connection to Medicare, however, and its burden falls on many middle class families and Main Street businesses. The surtax imposes an additional 3.8 percentage points of tax on investment income, including capital gains, dividends, interest, as well as certain S corporation and partnership income, for families making as little as \$200,000 a year. Furthermore, because the ACA failed to index the NII tax to inflation, millions of additional taxpayers will be subjected to this tax in the future due to “bracket creep.”

For pass through businesses organized as partnerships and S corporations, the tax represents a drain on the capital they have to invest and create jobs. Non-active owners are subject to the tax, which means these businesses must make additional quarterly payments to cover the higher tax owed by these owners. When added to existing individual income taxes, the surtax results in a marginal tax rates of nearly 45 percent, and even higher when state and local taxes are included.

Like much of the ACA, the NII tax was adopted without an opportunity for the business community or Members of Congress to comment or offer amendments. For the Senate to consider legislation that rolls back significant portions of the ACA without repealing this tax would be detrimental to Main Street businesses and an enormous missed opportunity.

The undersigned organizations request in the strongest terms that the Senate include repeal of the NII tax in any health care reform legislation it considers this year.

Sincerely,

Air Conditioning Contractors of America
American Beverage Licensees
American Business Conference
American Council of Engineering Companies

American Foundry Society
American Supply Association
Associated Builders and Contractors
Associated Builders and Contractors Florida East Coast Chapter
Associated Equipment Distributors
Associated General Contractors of America
Family Business Coalition
Heating, Air-conditioning & Refrigeration Distributors International
International Association of Plastics Distribution
Independent Electrical Contractors
Independent Insurance Agents & Brokers of America
Independent Office Products & Furniture Dealers Association
International Foodservice Distributors Association
International Franchise Association
International Housewares Association
International Warehouse Logistics Association
Metals Service Center Institute
National Apartment Association
National Association of Electrical Distributors
National Association of Home Builders
National Association of Professional Insurance Agents
National Association of Wholesaler-Distributors
National Beer Wholesalers Association
National Community Pharmacists Association
National Electrical Contractors Association
National Federation of Independent Business
National Grocers Association
National Multifamily Housing Council
National Office Products Alliance
National Roofing Contractors Association
National Utility Contractors Association
Office Furniture Dealers Alliance
Precious Metals Association of North America
S Corporation Association
Small Business & Entrepreneurship Council
Truck Renting and Leasing Association
Water & Sewer Distributors of America
Wine & Spirits Wholesalers of America