



Parity for Main Street Employers

December 10, 2019

The Honorable Richard Neal
Chairman, Committee on Ways & Means
United States House of Representatives
1102 Longworth HOB
Washington DC, 20515

Dear Chairman Neal:

The Parity for Main Street Employers coalition has serious concerns with the “Restoring Tax Fairness for States and Localities Act” to be considered by the House Ways and Means Committee tomorrow.

Individually and family owned businesses organized as S corporations, partnerships and sole proprietorships are the heart of the American economy. They employ the majority of workers, and they contribute the most to our national income. They also pay the majority of business taxes. A recent [study](#) by EY found that pass-through businesses pay 51 percent of all business income taxes.

The legislation introduced today would raise these taxes by 1) increasing the top rate pass-through businesses pay from the current 37 percent to 39.6 percent and 2) lowering the income threshold of the top rate from \$622,050 to \$496,600 (Joint) for the years 2020 through 2025, after which the 37 percent rate is scheduled to expire under current law.

This rate hike would be used to offset relief from the SALT deduction cap, including one year of marriage penalty relief (2020) and two years of full relief from the cap (2021 and 2022). While this SALT relief will benefit some pass-through businesses, those savings will be reserved only for businesses residing in certain states, while the tax hike will apply to businesses in all fifty states.

It would also undo a critical balance achieved in tax reform. The lower individual income tax rates coupled with the 20-percent pass-through deduction was designed to maintain tax parity for pass-through businesses and the new 21-percent corporate rate. EY recently reported that tax reform largely succeeded in this balancing act, but only if the deduction and the lower individual tax rates stay in place.

The Parity for Main Street Employers coalition represents millions of individually and family owned businesses employing tens of millions of private sector workers in every community and every industry, including contractors, engineers, retailers, wholesaler-distributors, manufacturers and more. On behalf of these employers, we ask that you reconsider this legislation.

Sincerely,

American Council of Engineering Companies
Associated Builders and Contractors
Associated General Contractors of America
Independent Community Bankers of America
National Association of Wholesaler-Distributors
National Beer Wholesalers Association

National Electrical Contractors Association
National Federation of Independent Business
National Roofing Contractors Association
S Corporation Association
Wine and Spirits Wholesalers of America