

August 11, 2022

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
H-232 U.S. Capitol
Washington, DC 20515

The Honorable Charles Schumer
Senate Majority Leader
United States Senate
Washington, DC 20510

The Honorable Kevin McCarthy
House Minority Leader
U.S. House of Representatives
H-204 U.S. Capitol
Washington, DC 20515

The Honorable Mitch McConnell
Senate Minority Leader
United States Senate
Washington, DC 20510

Dear Speaker Pelosi, Leader McCarthy, Leader Schumer, and Leader McConnell:

The undersigned organizations represent millions of Main Street businesses and employ tens of millions of workers and we oppose the Senate-passed Inflation Reduction Act.

Inflation is at 40-year highs, we have had two consecutive quarters of negative economic growth, and we are witnessing a shrinking small business sector, yet the Inflation Reduction Act does nothing to address these immediate issues even as it increases the burden of the tax code shouldered by America's small and family-owned businesses.

The Biden Administration claims the savings in the IRA are "front-loaded" and will reduce the deficit in the short-term, helping to ease inflationary pressures. That is simply not the case. Recent analysis by the Congressional Budget Office, Penn-Wharton, and others shows the Inflation Reduction Act would increase prices in the short term and do little to bring them down in the long run.

At the same time, the bill would give the IRS an additional \$80 billion in funding, more than half of which would pay for thousands of additional IRS agents to conduct millions of additional audits. We support addressing the tax gap and oppose illegal tax evasion, but as former National Taxpayer Advocate Nina Olson observed recently, it is wrong and counterproductive to characterize the entire tax gap as willful tax evasion. From experience, we know many, if not most, of these additional audits will be conducted on the owners of family businesses who have fully complied with the tax code.

Finally, the Warner Amendment adopted at the last minute presented the Senate with a clear choice between Wall Street and Main Street, and the Senate chose Wall Street. The amendment extends for two years the Section 461(l) cap on losses a business owner is permitted to claim. This \$52 billion tax hike on pass-through businesses was adopted with almost no consideration, and the revenues it raises were used to offset the cost of exempting private equity investors from the fifteen-percent corporate minimum tax. The cap on active pass-through loss deductions is bad

policy at any time, but it is particularly harmful when the economy is weak and an increasing number of businesses are suffering losses. The timing of this amendment's adoption could not have been worse.

The Inflation Reduction Act would fail to reduce price pressures even as it raises the cost of the tax code to small and family-owned businesses at a time of economic weakness. We ask that you reject the IRA's Main Street tax hike when it is considered by the full House.

Sincerely,

AAHOA

AICC, The Independent Packaging Association

Air Conditioning Contractors of America

American Bakers Association

American Building Materials Alliance (ABMA)

American Hotel and Lodging Association

American Pipeline Contractors Association

American Supply Association

Associated Builders and Contractors

Associated Equipment Distributors

Associated General Contractors of America

Brick Industry Association

Ceramic Tile Distributors Association

Construction Industry Round Table

Convenience Distribution Association

Distribution Contractors Association

Education Market Association

Family Business Coalition

Financial Executives International (FEI)

Foodservice Equipment Distributors Association

Forest Resources Association

GAWDA

Heating, Air-conditioning, & Refrigeration Distributors International

Illinois Farm Bureau

Independent Bakers Association

Independent Electrical Contractors

Independent Insurance Agents & Brokers of America

Independent Office Products & Furniture Dealers Association

International Association of Plastics Distribution (IAPD)

International Foodservice Distributors Association

International Housewares Association

Main Street Employers Coalition

Manufactured Housing Institute

Material Handling Equipment Distributors Association

Metals Service Center Institute
National Association of Electrical Distributors
National Association of Home Builders
National Association of Professional Insurance Agents
National Association of Sporting Goods Wholesalers
National Association of Wholesaler-Distributors
National Cattlemen's Beef Association
National Community Pharmacists Association
National Fastener Distributors Association
National Federation of Independent Business (NFIB)
National Grocers Association
National Independent Automobile Dealers Association (NIADA)
National Lumber & Building Material Dealers Association
National Marine Distributors Association
National Onion Association
National Restaurant Association
National Roofing Contractors Association
National Stone Sand and Gravel Association
National Wooden Pallet & Container Association
Nebraska Cattlemen
North American Association of Food Equipment Manufacturers (NAFEM)
North American Equipment Dealers Association (NAEDA)
Oregon Cattlemen's Association
Outdoor Power Equipment and Engine Service Association
Plumbing-Heating-Cooling Contractors—National Association
Power and Communication Contractors Association
Reserve Organization of America (ROA)
Retail Bakers of America
S Corporation Association
Small Business & Entrepreneurship Council
Society of Collision Repair Specialists (SCRS)
Spray Polyurethane Foam Alliance
Subchapter S Bank Association
Textile Care Allied Trades Association
The Hardwood Federation
Tile Roofing Industry Alliance
Truck Renting and Leasing Association
WASDA - Water and Sewer Distributors of America
Western States Roofing Contractors Association
Wisconsin Grocers Association
Wisconsin Small Businesses United
Wyoming Farm Bureau Federation