



The Honorable Jodey Arrington  
Chairman  
Committee on the Budget  
204 Cannon House Office Building  
Washington, DC 20515

The Honorable Jason Smith  
Chairman  
Committee on Ways and Means  
1011 Longworth House Office Building  
Washington, DC 20515

The Honorable Brendan Boyle  
Ranking Member  
Committee on the Budget  
507 Cannon House Office Building  
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The Honorable Richard Neal  
Ranking Member  
Committee on Ways and Means  
372 Cannon House Office Building  
Washington, DC 20515

March 9, 2023

Chairman Arrington, Ranking Member Boyle, Chairman Smith, and Ranking Member Neal:

The budget released today continues the Biden administration’s attack on individually- and family-owned businesses and should be strongly opposed by Congress. The more than \$4 trillion in tax hikes it proposes target businesses responsible for most of the jobs and growth in this country and come at a time when federal tax collections are at record levels.

The President claims his budget will only go after “super-wealthy” tax cheats, but it targets over one million small and family-owned businesses. It would hurt their ability to hire new employees, offer better benefits, and invest in the equipment and technology necessary to sustain their businesses and help them grow. The President might claim his tax proposals close loopholes, but America’s small and family-owned businesses are *not* a loophole.

The huge deficits forecast in the President’s budget are not the result of a revenue shortage. The Congressional Budget Office reports that federal tax collections were nearly \$5 trillion last year, a record high and a 47-percent increase from when the Tax Cuts and Jobs Act (TCJA) was enacted in 2017. Taxes paid by individuals and pass-through businesses reached a record \$2.6 trillion last year and represented their largest share of total taxes paid in any year since the TCJA.

Despite this, the President’s budget would raise the top rates paid by pass-through businesses and corporations alike, increase the Net Investment Income Tax and expand it to cover the active business income of pass-through business owners, make permanent the harmful loss limitation rules, make it harder for family-owned businesses to survive from one generation to the next by

gutting the existing grantor trust rules, nearly double the tax rate on capital gains, and impose a new minimum tax on larger family businesses that appears to redefine how income is measured. The combination of these policies would raise top tax rates on these businesses to close to 50 percent, both on their operating profits and on any gain when they sell the company.

These policies should not be considered in a vacuum. Layered on top of past proposals put forward by the President, the Chairman of the Senate Finance Committee, and the Ranking Member of the House Ways and Means Committee, they would raise top marginal tax rates on small and family-owned businesses from today's 29.6 percent to a staggering 57 percent. Add in state taxes and most businesses would face rates exceeding 60 percent. Businesses in California would face rates of over 70 percent.

Our members already face a massive tax increase when the small and family-owned business deduction, the lower individual rates, and other individual provisions expire beginning in 2026. The tax hikes proposed in today's budget release would come on top of these pending tax increases, adding to the threat our members face.

Instead of seeking ever higher taxes from the pass-through business sector, the Administration should work with Congress to make the small and family-owned business deduction permanent and provide these business owners with some certainty following three years of COVID, slow growth, high inflation, and supply-chain disruptions.

The undersigned trade groups, together with the millions of businesses and workers they represent, ask you to stand with Main Street and strongly oppose raising taxes on individually- and family-owned businesses.

Sincerely,

AAHOA - Asian American Hotel Owners Association

AICC, The Independent Packaging Association

Air Conditioning Contractors of America

American Building Materials Alliance

American Farm Bureau Federation®

American Financial Services Association

American Foundry Society

American Hotel & Lodging Association

American Pipeline Contractors Association

American Subcontractors Association

American Supply Association

Associated Builders and Contractors

Associated Equipment Distributors

Associated General Contractors of America

Brick Industry Association

Construction Industry Round Table  
Distribution Contractors Association  
Education Market Association  
Family Business Coalition  
Foodservice Equipment Distributors Association  
Forest Resources Association  
FPDA - Motion Control Solution Network  
Glass Packaging Institute  
Global Cold Chain Alliance  
Hearth, Patio & Barbecue Association  
Heating, Air-conditioning, & Refrigeration Distributors International  
IAPD - The Performance Plastics Association  
Independent Bakers Association  
Independent Community Bankers of America  
Independent Electrical Contractors  
Independent Insurance Agents & Brokers of America  
Industrial Fasteners Institute  
International Foodservice Distributors Association  
International Franchise Association  
International Sign Association  
International Warehouse Logistics Association (IWLA)  
ISD - International Sealing Distribution Association  
Main Street Employers Coalition  
Manufactured Housing Institute  
Manufacturer & Business Association  
Metals Service Center Institute  
Mortgage Bankers Association  
National Association of Electrical Distributors  
National Association of Insurance and Financial Advisors  
National Association of Professional Insurance Agents  
National Association of Wholesaler-Distributors  
National Cattlemen's Beef Association  
National Electrical Contractors Association  
National Electrical Manufacturers Representatives Association (NEMRA)  
National Federation of Independent Business  
National Grocers Association  
National Lumber & Building Material Dealers Association  
National Marine Distributors Association  
National Newspaper Association  
National Pork Producers Council

National Ready Mixed Concrete Association  
National Restaurant Association  
National Roofing Contractors Association  
National Stone, Sand and Gravel Association  
National Tooling & Machining Association  
National Utility Contractors Association  
National Wooden Pallet & Container Association  
New Mexico Cattle Growers' Association  
North American Association of Food Equipment Manufacturers (NAFEM)  
Outdoor Power Equipment and Engine Service Association  
Pet Industry Distributors Association  
Plastics Pipe Institute  
Plumbing-Heating-Cooling Contractors--National Association  
Policy and Taxation Group  
Power and Communication Contractors Association  
Precision Machined Products Association  
Precision Metalforming Association  
Reserve Organization of America (ROA)  
S Corporation Association  
Service Station Dealers of America and Allied Trades (SSDA-AT)  
SHDA - Security Hardware Distributors Association  
Small Business & Entrepreneurship Council  
Society of Collision Repair Specialists (SCRS)  
Specialty Equipment Market Association (SEMA)  
Subchapter S Bank Association  
Textile Care Allied Trades Association  
The Hardwood Federation  
Tire Industry Association (TIA)  
Water and Sewer Distributors of America  
Wood Machinery Manufacturers of America