

October 12, 2021

The Honorable Ron Wyden
Chairman
Senate Committee on Finance

The Honorable Mike Crapo
Ranking Member
Senate Committee on Finance

The Honorable Richard Neal
Chairman
House Ways & Means Committee

The Honorable Kevin Brady
Ranking Member
House Ways & Means Committee

Dear Chairman Wyden, Ranking Member Crapo, Chairman Neal and Ranking Member Brady:

On behalf of the undersigned organizations, we write to convey our concerns regarding the Small Business Tax Fairness Act (S.2387) and other recent proposals to change the 199A deduction. While we appreciate the intent to simplify the 199A deduction and eliminate the special rules for specified service businesses, we have serious concerns that the proposed phase out limits set forth in S. 2387 will exclude a significant number of small businesses from this important deduction.

As you know, the 199A deduction was intended to create some parity between the tax rates for C corporations and the tax rates for pass through entities. Pass through entities are already facing a significant disadvantage by the fact that, while the lower C corporation rates set in 2017 are permanent, the 199A deduction will sunset at the end of 2025. To significantly lower the phase out, while also retaining the 2025 sunset will be extremely harmful for a wide swath of small businesses, many of which are still struggling to survive and recover from the pandemic.

Again, while we welcome the provisions of the proposed bill that would simplify the calculations of the 199A deduction and remove the distinction between different types of pass through entities, the tradeoff – namely the new complete elimination of the deduction for taxpayers with incomes over \$500,000 (with a phase out starting at \$400,000) – is far too high for the undersigned organizations to be able to support this legislation. We have the same concern with the 199A proposal that was recently approved by the House Ways and Means Committee.

As they considers S.2387 and the 199A issue, we would urge your Committees to eliminate any income threshold amount which cuts off the deduction entirely and to add a provision to make 199A permanent.

We thank you for your consideration of this matter and stand ready to provide any additional information or support that may be required to help enact these common sense provisions that are so essential to the success of our Nation's pass-through businesses.

Sincerely,

AICC, The Independent Packaging Association
American Mold Builders Association
American Pet Products Association

American Subcontractors Association
Asian American Hotel Owners Association (AAHOA)
Energy Marketers of America
Foodservice Consultants Society International (FCSI) The Americas
Global Cold Chain Alliance
Independent Community Bankers of America
Independent Electrical Contractors
International Franchise Association (IFA)
National Electrical Manufacturers Representatives Association (NEMRA)
National Federation of Independent Business (NFIB)
National Independent Automobile Dealers Association (NIADA)
National Association of the Remodeling Industry (NARI)
National Marine Distributors Association
National Ready Mixed Concrete Association
National Small Business Association
NATSO, Representing America's Travel Plazas and Truck Stops
National Tooling and Machining Association
North American Die Casting Association
Outdoor Power Equipment and Engine Service Association
Precision Machined Products Association
Precision Metalforming Association
Promotional Products Association International (PPAI)
S Corporation Association
Secondary Materials and Recycled Textiles Association (SMART)
SIGMA: America's Leading Fuel Marketers
Small Business Council of America (SBCA)
Small Business Legislative Council (SBLC)
Specialty Equipment Market Association
Tire Industry Association (TIA)
United Veterinary Services Association