



The Honorable Vern Buchanan
U.S. House of Representatives
2104 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative Buchanan:

On behalf of the National Small Business Association, I would like to thank you for your leadership in crafting, *H.R. 5076*, the *Main Street Fairness Act*, critical legislation that will ensure small businesses are taxed equitably when compared with their larger counterparts. As the nation's oldest nonpartisan small-business advocacy organization, NSBA reaches more than 65,000 small businesses nation-wide, and reducing the tax burden on small businesses remains a top priority for NSBA.

Pass-through businesses account for more than half of the business income and employment in the U.S. In fact, the overwhelming majority of small businesses—83 percent—are organized as pass-through entities, meaning they file taxes through the individual income tax code instead of the corporate income tax code. Unfortunately, some policymakers continue to promote corporate-only tax reform despite the fact that it will not only not help most small businesses; it could result in an effective higher tax rate. Any increase to the individual tax rate taxes the capital small businesses rely on to purchase new equipment, pay salaries and benefits of their employees, and meet day-to-day expenses.

NSBA strongly believes that allowing the smallest businesses to pay a much higher tax on their business income than a multinational, multi-billion dollar corporation undercuts any semblance to fairness, and is the reason why we support your legislation. *H.R. 5076* allows small businesses that file taxes as pass-through income to pay the same effective tax rate as large companies. The average top marginal income tax rate on sole proprietorship and partnerships in the U.S. is 47.2 percent, and 44.5 and 48.3 percent, respectively, for active and passive shareholders of S-Corporations. These disproportionate rates further hurt small businesses as C-Corporations benefit from additional advantages—the ease of raising money, less restrictive shareholder rules, and deferral of domestic taxation. Your measure will provide simplification to one of the most complex provisions of the code and may help to significantly reduce the burden by leveling the playing field for individual taxpayers and small businesses.

To promote economic growth, job creation, capital formation, and international competitiveness, fundamental tax reform is required. However, unless and until Congress agrees upon a replacement, we must fix tax problems with the current tax code by developing simplification measures that are fair and fiscally responsible.

Your legislation is a step closer to enabling businesses to invest in new equipment, hire more workers and dedicate more money to savings and investment, which in turn will help strengthen our economy. NSBA supports the *Main Street Fairness Act*, and commends you for working to bring this legislation to the House floor.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd McCracken", with a long horizontal flourish extending to the right.

Todd McCracken
President & CEO