

November 3, 2021

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 Administration's Build Back Better Framework released last week would impose the OECD's highest marginal rates on family-owned businesses and should be rejected by Congress. These businesses just survived a global pandemic and for Congress to impose massive tax hikes on them, with rates exceeding 50 percent in some cases, would be incredibly damaging. The undersigned business organizations, representing millions of Main Street businesses, call on Congress to defeat these ill-advised tax hikes.

Individually- and family-owned businesses comprise nearly all businesses in the United States and employ the vast majority of private-sector workers. Yet the Framework would significantly increase rates on those businesses at income levels well below the advertised thresholds.

The bill would expand the 3.8 percent Net Investment Income Tax (NIIT) to all pass-through business income; impose a new surtax of up to 8 percent on all forms of income, including family businesses; and make permanent and expand the loss-limitation rules under Section 461. The White House estimates these three changes would amount to a \$650 billion tax hike over ten years.

Moreover, the tax rate hikes in the Framework would apply to businesses making significantly less than the advertised levels. The White House fact sheet suggests the new surtax would impose a 5 percent tax on a taxpayer's modified adjusted gross income over \$10 million, and 8 percent in excess of \$25 million. For pass-through businesses held in trust, however, these thresholds are fifty times lower -- \$200,000 and \$500,000, respectively. You don't have to be a very big business to earn \$200,000.

The same is true for the expansion of the 3.8 percent NIIT. The expanded NIIT's threshold for joint filers with S corporation or partnership income is \$500,000, but it is just \$13,000 for a family business with ownership shares held in taxable trusts.

Trusts are a common feature of succession planning for family businesses. While they may have tax implications, in most cases families use trusts for non-tax purposes, as they ease the transition of the business from one generation to the next by clarifying ownership and management roles and avoiding probate court. As such, trusts are a common feature of estate planning for family businesses both large and small.

Due to the prevalence of trusts, the higher tax rates included in the Framework would harm tens of thousands of modestly sized family businesses located across the country. The rate increases contemplated by the Framework are significant. The Tax Foundation estimates they will push the marginal rates of family businesses making more than \$500,000 to over 50 percent. When coupled with state and local levies, these rates hikes will result in the family businesses facing the highest marginal rates in the OECD, exceeding 57 percent.

Congress should avoid policies that harm Main Street employers at any time, but particularly at this difficult moment in our nation's history. Having survived the pandemic, family businesses are now confronted with rising inflation, labor shortages, and supply-chain disruptions. The tax increases included in the Framework would make a bad situation worse and encourage continued consolidation of economic power and decision making. Large, multi-national corporations have thrived during the pandemic. The Framework would tilt the rules further in their favor and away from locally- and family-owned businesses.

If Congress wishes to support the role family businesses play in providing jobs and a strong economic base, it should reject these tax hikes and focus on policies that help encourage investment and job creation.

Sincerely,

Agricultural Retailers Association  
AICC, The Independent Packaging Association  
Air Conditioning Contractors of America  
American Beverage Licensees  
American Catalog Mailers Association, Inc.  
American Farm Bureau Federation  
American Financial Services Association  
American Foundry Society  
American Hotel & Lodging Association  
American Lighting Association  
American Mold Builders Association  
American Pipeline Contractors Association  
American Supply Association  
Associated Builders and Contractors  
Associated Equipment Distributors  
Associated General Contractors of America  
Auto Care Association  
Convenience Distribution Association

Customized Logistics and Delivery Association (CLDA)  
Distribution Contractors Association  
Energy Marketers Association  
Equipment Services Association  
FMI - the Food Industry Association  
Foodservice Equipment Distributors Association  
Forest Resources Association  
FPDA Motion Control Network  
Funeral Directors Association of Greater Chicago  
Glass Packaging Institute (GPI)  
Global Cold Chain Alliance  
Hardwood Federation  
Independent Bakers Association  
Independent Community Bankers of America  
Independent Electrical Contractors  
Independent Insurance Agents and Brokers of America  
Independent Lubricant Manufacturers Association  
Industrial Fasteners Institute  
Institute of Scrap Recycling Industries  
International Association of Plastics Distribution (IAPD)  
International Door Association (IDA)  
International Foodservice Distributors Association  
International Franchise Association  
International Sign Association  
International Warehouse Logistics Association  
ISD, International Sealing Distribution Association  
Main Street Employers Coalition  
Manufactured Housing Institute  
Manufacturer & Business Association  
Maryland State Pest Control Association  
Metals Service Center Institute  
Mortgage Bankers Association  
NAHAD, The Association for Hose and Accessories Distribution  
National Apartment Association  
National Association of Convenience Stores  
National Association of Electrical Distributors  
National Association of Home Builders  
National Association of Insurance and Financial Advisors  
National Association of Professional Insurance Agents  
National Association of Wholesaler-Distributors  
National Association of Women Business Owners (NAWBO)  
National Beer Wholesalers Association  
National Cattlemen's Beef Association  
National Community Pharmacists Association  
National Cotton Council  
National Electrical Contractors Association

NATIONAL ELECTRICAL MANUFACTURERS REPRESENTATIVES ASSOCIATION  
(NEMRA)

National Federation of Independent Business (NFIB)  
National Funeral Directors Association  
National Grocers Association  
National Insulation Association  
National Marine Distributors Association  
National Multifamily Housing Council  
National Onion Association  
National Pork Producers Council  
National Roofing Contractors Association  
National RV Dealers Assoc (RVDA)  
National Stone, Sand and Gravel Association  
National Tooling and Machining Association  
National Utility Contractors Association  
National Waste & Recycling Association  
NATSO, Representing America's Travel Plazas and Truck Stops  
North American Association of Food Equipment Manufacturers (NAFEM)  
North American Die Casting Association  
Outdoor Power Equipment and Engine Service Association  
Pet Industry Distributors Association  
Plastics Industry Association  
Plumbing-Heating-Cooling Contractors--National Association  
Policy and Taxation Group  
Power and Communication Contractors Association  
Precision Machined Products Association  
Precision Metalforming Association  
PRINTING United Alliance  
Retail Bakers of America  
Retail Packaging Association  
S Corporation Association  
SHDA - Security Hardware Distributor Association  
SIGMA: America's Leading Fuel Marketers  
Small Business & Entrepreneurship Council  
Southeastern Lumber Manufacturers Association  
Specialty Equipment Market Association  
Spray Polyurethane Foam Alliance  
The Council of Insurance Agents and Brokers  
Tile Roofing Industry Alliance  
Truck Renting and Leasing Association  
USA Rice  
Western Equipment Dealers Association  
WF&FSA, The Wholesale Florist and Florist Supplier Association