

February 10, 2015

## **Permanently Extend Provisions for Main Street Businesses**

Dear Member of the U.S. House of Representatives:

As representatives of America's closely-held businesses, we ask that you support legislation (originally, H.R. 629 and H.R. 630) making permanent the 5-year recognition period for built-in gains, as well as the basis adjustment for charitable giving by S corporations.

Small businesses are the engine of America's economic growth and S corporations are the cornerstone of the small business community. There are more than 4.5 million of them nationwide. They are in every community and every industry and, according to Ernst & Young, they employ one out of every four private sector workers.

Unlike public corporations, these closely-held businesses have little or no access to the capital markets. Instead they rely on banks, relatives, and their own savings to fill their investment and working capital needs. An overly long built-in gains recognition period makes this disadvantage worse by preventing companies that have chosen to become S corporations from accessing their own capital and putting it to better use.

Locking up a company's capital for an entire decade is simply unreasonable. Past Congresses have recognized that a decade is too long and voted to reduce the recognition period on three separate occasions, but those temporary measures have expired and the 10-year rule is back in effect.

Enacting a permanent shorter recognition period would sustain the original intent of the rule while providing S corporations with much needed certainty. It would allow them to make decisions based on what is best for the company rather than the dictates of the tax code. At a time when our economy badly needs increased investment, allowing more companies to access their own, locked-up capital is an important step.

Furthermore, making permanent the basis adjustment to stock of S corporations that make charitable contributions of property would help bring consistent treatment among flow-through businesses, and would allow America's S corporations to be more active and supportive of much-needed charitable activities.

On behalf of America's Main Street business community, we respectfully ask that you vote in favor of this legislation.

Thank you for your consideration.

**Aeronautical Repair Station Association  
Air Conditioning Contractors of America  
Agricultural Retailers Association  
American Council of Engineering Companies**

**American Foundry Society**  
**American Institute of Architects**  
**American Rental Association**  
**American Subcontractors Association, Inc.**  
**American Supply Association**  
**American Trucking Associations**  
**Americans for Tax Reform**  
**Associated Builders and Contractors, Inc.**  
**Associated Equipment Distributors**  
**Associated General Contractors of America**  
**Auto Care Association**  
**Financial Executives International**  
**Food Marketing Institute**  
**Heating, Air-conditioning and Refrigeration Distributors International**  
**Independent Community Bankers of America**  
**Independent Electrical Contractors**  
**Independent Insurance Agents & Brokers of America**  
**International Foodservice Distributors Association**  
**International Housewares Association**  
**Metals Service Center Institute**  
**National Association of Wholesaler-Distributors**  
**National Beer Wholesalers Association**  
**National Electrical Contractors Association**  
**National Federation of Independent Business**  
**National Funeral Directors Association**  
**National Grocers Association**  
**National Lumber and Building Material Dealers Association**  
**National Roofing Contractors Association**  
**National Small Business Association**  
**Printing Industries of America**  
**Professional Beauty Association**  
**S Corporation Association**  
**Small Business Council of America**  
**Small Business Legislative Council**  
**Subchapter S Bank Association**  
**The Association for Manufacturing Technology**  
**Truck Renting and Leasing Association**  
**United States Business and Industry Council**  
**Wine & Spirits Wholesalers of America**