



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
Washington, DC 20515

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 Foundry Society
American Hotel & Lodging Association
American Pipeline Contractors Association
American Subcontractors Association
Associated Builders and Contractors
Associated Equipment Distributors
Associated General Contractors of America
Construction Industry Round Table
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
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 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 Utility Contractors Association
National Wooden Pallet & Container Association
North American Association of Food Equipment Manufacturers (NAFEM)
Outdoor Power Equipment and Engine Service Association
Pet Industry Distributors Association
Policy and Taxation Group
Power and Communication Contractors 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