

**Congress of the United States**  
**Washington, DC 20515**

December 14, 2012

James McNerney, Jr., Chairman  
Business Roundtable  
300 New Jersey Avenue, NW, Suite 800  
Washington D.C. 20001

Dan Danner, President  
National Federation of Independent Business  
53 Century Blvd, Suite 250  
Nashville, TN

Gentlemen:

We are writing to express our concern about recent comments from members of the business community regarding tax reform and the ongoing negotiations over the so-called “fiscal cliff.”

As you are aware, 10 months ago the White House proposed a rough outline of how to overhaul the tax code for corporations without reforming it for individuals and small businesses. Some now report that the Administration is seeking a corporate-only tax reform approach as part of the fiscal cliff negotiations, and certain members of the business community appear eager to support such an exercise. We believe, however, that pursuing corporate tax reform as a separate measure while addressing the deficit through tax increases on small businesses would hinder comprehensive tax reform efforts and do serious harm to small businesses throughout the country.

Many small businesses — including partnerships, LLC’s, and S corporations — are taxed under the individual tax rate structure, with income from these entities flowing through to the individual owners’ tax returns. As a result, these businesses will face significant tax hikes under a central component of President Obama’s proposal: raising the top two individual marginal tax rates. According to the Joint Committee on Taxation, 53 percent of all flow-through business income would be subject to higher tax rates under the President’s proposal. These employers — often the businesses we find along the Main Streets of our hometowns — need and deserve tax reform as much as any large corporation.

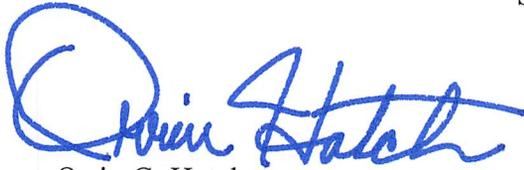
Make no mistake, we believe that it is vital that we reduce the corporate tax rate and reform our international tax rules to encourage economic growth, improve our nation’s competitiveness, and, most importantly, to create jobs. However, such growth and job creation will *not* come from corporate tax reform alone. Reforming some portions of the tax code but ignoring others will not only leave the code entangled with provisions that restrict businesses, but it will leave out a huge sector of job creators, threatening to further hamper our economic recovery.

Furthermore, the practical reality is that there simply is not enough money on the individual side of the tax code to achieve the size of tax increases the President is seeking. In endorsing the President's push for higher tax rates, you are also risking some of your own top priorities for tax reform – such as shifting from a worldwide to a territorial system and bringing our corporate rate in line with the OECD average.

The President's latest gambit is clearly meant to divide the business community on the issue of tax reform. As Chairman of the House Ways and Means Committee and Ranking Member of the Senate Finance Committee, we urge business groups and the companies they represent to remain united in their support for comprehensive tax reform that benefits, not only large companies and corporations, but small businesses as well.

Thank you for your attention regarding this important matter.

Sincerely,



Orrin G. Hatch  
Ranking Member  
Senate Committee on Finance



David Camp  
Chairman  
House Committee on Ways and Means

CC: please see next page

cc:

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