



December 19, 2011

The Honorable John Boehner
Speaker
United States House of Representatives

The Honorable Harry Reid
Majority Leader
United States Senate

Dear Speaker Boehner and Majority Leader Reid:

Politically expedient solutions that address legislative emergencies often end up having unintended or costly consequences. Such is the case with the proposed two-month extension of the reduced payroll tax rate and its potential impact on America's small employers and the economy at large.

On behalf of the Small Business & Entrepreneurship Council (SBE Council) and its 100,000 members, we urge the House and Senate to agree on a full year extension of the payroll tax reduction. While SBE Council believes that the payroll tax cut itself is doing very little to stimulate the economy and supports solutions that permanently reform the tax system through lower rates on entrepreneurs and investment, we need to proactively protect our members against potentially higher payroll costs and the uncertainty that the two-month extension would generate.

In a letter to the House Ways and Means and Senate Finance Committees, the National Payroll Reporting Consortium wrote that "insufficient lead time" to implement changes mandated by H.R. 3630 "could create substantial problems, confusion and costs affecting a significant percentage of U.S. employers and employees." SBE Council agrees with this assessment. Unfortunately, small businesses would bear the costs of the uncertainties and complex changes that face payroll processors given a two-month extension. Small businesses that don't use payroll companies also face complexity and a significant cost burden.

The confusion that the two-month extension would impose on employers or their payroll providers will inevitably divert resources away from productive activities. Indeed, the uncertainty regarding what happens next following the two-month expiration date will serve as additional fuel to currently low business confidence levels.

Already, small business owners are frustrated by one and two-year extensions of various tax measures. Individual Americans and entrepreneurs need to plan, and they are tired of these short-term fixes. The two-month extension is unacceptable. SBE Council urges the House and Senate to enact a solution that will allow businesses and individuals to properly plan.

Sincerely,

Karen Kerrigan
President & CEO