



September 20, 2012

The Honorable Max Baucus  
Chairman  
Senate Finance Committee  
511 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable Orrin Hatch  
Ranking Member  
Senate Finance Committee  
104 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable Dave Camp  
Chairman  
Committee on Ways and Means  
1102 Longworth House Office Building  
Washington, D.C. 20515

The Honorable Sander Levin  
Ranking Member  
Committee on Ways and Means  
1139E Longworth House Office Building  
Washington, D.C. 20515

Dear Chairman Baucus, Chairman Camp, Ranking Member Hatch and Ranking Member Levin,

On behalf of Associated Builders and Contractors (ABC), a national association with 74 chapters representing 22,000 merit shop construction and construction-related firms, I am writing in regard to the joint hearing on the tax treatment of capital gains. ABC strongly opposes the expiration of the current 15 percent statutory rate, and encourages its extension as a bridge to comprehensive reform.

Favorable treatment of investment income is imperative to the efficient allocation and flow of capital, and any increase in the rate on long-term gains would have serious repercussions. Higher taxes on the appreciation of assets inherently increase the cost of capital and create a drag on the broader economy. In a capital-intensive business such as construction, the impact on already sclerotic credit markets would be devastating.

Beyond this general chilling effect on private investment, a higher capital gains rate would mean significantly increased taxes on everything from the liquidation of equipment (limiting the capacity for reinvestment or replacement) to the sale of a small business (eroding any accrued retirement nest egg).

Simply put, raising taxes on capital investment is the last thing that should be done in a flagging economy. Whatever limited revenue such an increase could be expected to raise would be outstripped by lost GDP growth and diminished productivity. If anything, Congress should look for opportunities to reduce rates through comprehensive reform in order to encourage capital formation, entrepreneurship and economic growth. We appreciate your consideration of this important matter, and look forward to working with your respective committees as we look toward fundamental reform of the code.

Sincerely,

Liam P. Donovan  
Director, Legislative Affairs