April 26, 2012

Extend the 5-Year Holding Period for Built-In Gains

Dear Members of the House Ways and Means Committee:

As representatives of America’s small and closely-held businesses, we respectfully encourage you to extend the 5-year holding period for built-in gains, a key provision of the bipartisan *S Corporation Modernization Act* (HR 1478) introduced by Ways and Means Committee members Dave Reichert (R-WA) and Ron Kind (D-WI).

Small businesses are the engine of America’s economic growth and S corporations are the cornerstone of the small business community. There are nearly 4.5 million S corporations nationwide. They are in every community and every industry. A recent study by Dr. Robert Carroll (Ernst & Young) found that S corporations are a significant source of jobs as well, employing one out of every four private sector workers.

Unlike public companies, these closely-held businesses have little or no access to the public capital markets. They rely on banks, they rely on relatives, and they rely on their own assets for investment and working capital. An overly long built-in gains tax exacerbates this disadvantage by preventing converted S corporations from putting the capital they already control to better use.

S corporations should not be blocked from accessing their own capital; these are critical resources that allow private companies to grow their businesses, create jobs, and remain competitive.

On behalf of America’s Main Street business community, we respectfully ask that you extend the 5-year holding period for built-in gains.

Thank you for your consideration.

Sincerely,

American Council of Engineering Companies
Associated Builders and Contractors, Inc.
Independent Community Bankers of America
National Beer Wholesalers Association
National Federation of Independent Business
National Funeral Directors Association
National Small Business Association
Printing Industries of America
Professional Beauty Association
Roofing Contractors Association
S Corporation Association
U.S. Chamber of Commerce
Wine and Spirits Wholesalers of America