



December 19, 2012

Dear Representative:

On behalf of the National Federation of Independent Business (NFIB), the nation's leading small business advocacy organization, I am writing to strongly support the Speaker's substitute amendment to H.J. Res. 66. This amendment would permanently extend nearly all of the tax provisions that are important to small businesses, providing much-needed economic certainty and long-term tax relief for small businesses.

The Speaker's amendment permanently extends the current estate and gift tax exemption and rate, indexed for inflation; permanently extends Section 179 small business expensing at \$250,000 per year, indexed for inflation; and protects small business owners and taxpayers earning less than \$1 million per year from an income tax increase by permanently extending their current individual income tax rates.

Seventy-five percent of small businesses are organized as pass-through entities. This means that the business owners' business income "passes through" to their personal income taxes. As such, small business owners are directly impacted by higher marginal income tax rates. While we remain committed to extending current tax rates for all taxpayers, this amendment is the best alternative versus current law to prevent a tax increase on small businesses.

The current economic outlook for small businesses remains very grim. In November, the NFIB Small Business Optimism Index plunged to one of the lowest optimism readings in the survey's history. A large number of small business owners expect worse business conditions in the next six months due to the looming "fiscal cliff," the promise of higher health-care costs and the tidal wave of new regulations. NFIB members reported that taxes remain a top concern of small business owners, and removing this uncertainty by providing permanent tax relief will go a long way to helping revive the small business economy.

Importantly, the amendment maintains the 2010 estate tax agreement that provides a \$5 million exemption and 35 percent estate tax rate, indexes it to inflation, and makes it permanent. If Congress does not act before January 2013, the estate tax rate will rise to 55 percent while the exemption level will drop to \$1 million. The Joint Committee on Taxation estimates that 15 times more families, 24 times more farms, and 13 times more small businesses will be forced to pay the estate tax. While NFIB continues to believe that full repeal of the estate tax is the best solution to protect family owned businesses, this amendment provides small businesses with

much-needed long-term certainty, instead of leaving them guessing about their estate tax liabilities and unable to make prudent business decisions.

Since 2003, Congress has steadily increased the allowable Section 179 expensing amount from a low of \$25,000. The expensing provision in this amendment encourages businesses to immediately deduct the full value of investments in equipment in the year the investment is made, rather than claiming the deduction over a longer depreciation period, greatly simplifying tax preparation. Making Section 179 permanent provides further certainty for businesses planning to make investments in the future.

In addition, the Speaker's amendment provides permanent relief from the Alternative Minimum Tax (AMT), preventing additional tax hikes on over 30 million individuals and small businesses. Ensuring continued AMT relief is an important component to protecting small businesses from this onerous, complicated tax.

NFIB is also encouraged and supportive of efforts in the House of Representatives and the Senate to address tax reform, simplification and deficit reduction. NFIB strongly supports the Speaker's amendment to H.J. Res 66, and urges the House to quickly pass this legislation.

Sincerely,

A handwritten signature in black ink that reads "Susan Eckerly". The signature is fluid and cursive, with a long horizontal stroke at the end.

Susan Eckerly  
Senior Vice President  
Public Policy