

May 10, 2012

The Honorable Pat Tiberi  
Chairman  
House Ways and Means Committee  
Subcommittee on Select Revenue Measures  
106 Cannon House Office Building  
Washington, DC 20515

The Honorable Richard Neal  
Ranking Member  
House Ways and Means Committee  
Subcommittee on Select Revenue Measures  
2208 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Tiberi and Ranking Member Neal,

I write today to thank you for holding the hearing on tax extenders. As my time to speak was limited to only three minutes, however, I would like to express my support for the following tax provisions:

**Business Provisions**

A provision of chief importance is the provision reducing the holding period for Built-in-Gains from 10 years to five years for those small businesses known as S corporations. This provision allows our business community to create jobs in the United States. Unlike public companies, these closely-held businesses have little or no access to the public capital markets, and must be able to access their own capital in a timely manner in order to grow their businesses, create jobs, and remain competitive. The *S Corporation Modernization Act (HR 1478)* that I co-authored with Dave Reichert (R-WA) extends the five-year holding period, and ensures that S corporations will continue to spur job growth.

Unless Congress extends the five-year holding period, it will revert back to 10 years, and S corporations will be forced to wait an entire decade to access their own capital without penalty. Attached to my written statement is a letter from 13 organizations that support extending the five-year holding period.

Another provision I specifically support is the CFC Look-Through provision, a letter of support for which is attached to my written statement. By way of a bill I cosponsored with Charles Boustany (R-LA), HR 2735, foreign subsidiaries of US companies can utilize active income deployed in those businesses without immediate tax recognition in the United States. The provision allows companies to grow their business activities abroad using capital already generated. HR 2735 is a permanent extension of the CFC Look-Through rule, which would provide tax certainty, competitiveness, and enhanced business planning.

The Research & Development Credit is also of vital importance to American innovation and ingenuity. It insures that high-tech, energy, and professional jobs remain in the United States, spurring on the economy with competitive jobs and enhanced competitiveness. The R&D credit should at least be extended, if not made permanent.

Finally, in order to provide business planning sustainability and certainty, I support extending certain other tax incentives. Until we achieve comprehensive tax reform, it is necessary that we continue to

- New Markets Tax Credit
- Employer wage credit for employees who are active duty members of the uniformed services
- 15-year straight-line cost recovery for qualified leasehold improvements
- Expensing of environmental remediation costs/Brownfield development
- Exceptions for active financing income
- Basis adjustment to stock of S Corps making charitable contributions of property
- Work opportunity tax credit
- Employer wage credit for activated military reservists
- Increased § 179 amounts; expanded definition of § 179 property

### **Individual Provisions**

Provisions that allow our teachers to better do their job, and assist our students with escalating tuition costs are necessary to educate the young people in western Wisconsin and around the country. Additionally, provisions that help families and businesses preserve their budgets and our environment should be extended. Thus, I am supportive of the following provisions:

- Deduction for certain expenses of elementary and secondary school teachers
- Deduction for state and local sales tax
- Conservation easements
- Above-the-line deduction for qualified tuition and related expenses

### **Energy Provisions**

Incentives to provide clean or green energy alternatives are imperative to insuring that the United States moves more toward energy independence. Many of the following are bipartisan solutions that make sense. They provide jobs, promote energy innovation, and reduce our dependence on foreign energy.

- Credit for refined coal facilities
- New energy efficient home credit
- Excise tax credits and outlay payments for alternative fuel and alternative fuel mixtures
- Extension of grants for specified energy property in lieu of tax credits
- Energy efficient appliance credit
- Alternative fuel vehicle refueling property
- Credit for electric drive motorcycles, three-wheeled vehicles, and low-speed vehicles
- Qualified green buildings and sustainable design project bonds
- Production tax credit for wind facilities
- Indian coal credit
- Energy credit in lieu of production tax credit

### **Additional Provisions**

Additionally, I would like to express my support for the following provisions:

The Clean Renewable Energy Bond program, which allows electric cooperatives to issue tax credit bonds to finance renewable projects. These bonds acted like low-interest loans, and I introduced a bill in the 11<sup>th</sup> Congress, HR 5581, with Brian Higgins (D-NY) that would extend the program through 2016. Sadly, it expired in 2010 and is in need of revitalization.

The policy imbedded in the Disaster Tax Act of 2011 is also something I support. We need a federal disaster relief program that allows those struck by an act of God to rebuild their homes and communities. My bill, HR 2718, which I introduced with Spencer Bachus (R-AL), Richard Neal (D-MA), and Terri Sewell (D-AL), would make permanent expensing provisions for qualified disaster expenses and qualified disaster assistance property, and for net operating losses attributable to federally declared disasters. It would also increase the limit for charitable contributions for disaster relief for individuals and corporations who choose to provide assistance to those in need.

Though not an “extender” I would like to express my support for the Renewable Integration Credit, HR 2391, which I introduced with Erik Paulsen (R-MN). As our nation’s electric utilities increase their electricity production from wind and solar resources, they – and their customers – are facing significant costs associated with integrating these resources into the grid to ensure system stability and reliability. Because wind and solar are *intermittent* resources—that is, electricity is only available when the wind is blowing or the sun is shining—there are costs to back up the system and maintain the flow of electricity at all times. Thus, the RIC offsets the costs of integrating wind and solar resources into the grid. It also provides a direct payment to rural electric cooperatives and municipal utilities, who cannot take advantage of tax incentives. The credit phases out over time unless utilities continue to increase their renewable portfolio. This will drive continual improvements in wind and solar penetration.

Finally, I support the concept of Last-In, First-Out (LIFO) accounting. As indicated by my signature on the letter to President Obama urging him to include the repeal of LIFO in his budget, I support the practice. Because LIFO is used by approximately 36% of businesses in the United States, and changing the accounting practice could pose disastrous results. As the letter, signed by 22 Members of Congress, indicates, “Industries affected range from metals, paper, chemicals, and petroleum refining to auto parts, beverages, distilleries, groceries, textiles, building materials and industrial equipment. Repeal would impact manufacturers, wholesaler-distributors, and retailers; makers and sellers of virtually all products produced, sold and consumed in the United States. The impact of LIFO repeal would surely be felt in our Congressional Districts and every corner of America.”

Thank you for your consideration.

Sincerely,

Ron Kind