



AMERICAN
SUSTAINABLE
BUSINESS
COUNCIL

July 26, 2017

The Honorable Kevin Brady
Chairman
Ways and Means Committee
1102 Longworth HOB
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
Ways and Means Committee
1102 Longworth HOB
Washington, D.C. 20515

RE: Tax Reform and Small Businesses hearing on July 13, 2017

Dear Chairman Brady and Ranking Member Neal:

The American Sustainable Business Council (ASBC) applauds the effort of the Ways & Means Committee to advance the growth of small businesses and the jobs they create. ASBC believes that tax reform must provide equitable tax incentives for the growth of small and midsize businesses.

ASBC has long advocated for changes at the federal and state levels that support a more sustainable economy, including taxation that rewards risk-taking entrepreneurs, creates and maintains quality jobs, encourages worker ownership, and reduces compliance costs.

While we applaud the committee's efforts to advance the growth of small business, we believe that some of Rep. Ryan's proposals would fail to achieve the stated objectives. Like President Trump, Rep. Ryan would unnecessarily cut taxes for the wealthy, by repealing the estate tax, which affects less than one-percent of American estates. Moreover, its repeal would cost \$269 billion over 10 years, according to the Joint Committee on Taxation.

Tax cuts for the wealthy do little to benefit small businesses and boost the economy, because wealthy people spend a small percentage of their income on the consumption that drives the economy. By contrast, cutting taxes for ordinary Americans (who spend a lot on consumption) will boost the economy.

Rep. Ryan and the President also propose tax cuts for U.S. multinationals, arguing that U.S. taxes are too high for our largest companies to compete overseas. Yet if you look at our



multinationals' effective tax rates – reflecting how much they actually pay – they're much lower than their U.S. statutory tax rates.

To support small businesses, ASBC believes that tax reform should:

- Direct investment to businesses, buildings, and equipment to create new jobs;
- Reduce tax preferences for established industries which don't need the support;
- Encourage domestic investment and job creation, as much as international treaties permit;
- Create a sustainable revenue source, such as a user-fee, to finance infrastructure work;
- Set an Impact Fee on carbon fuels to encourage environmentally sustainable practices;
- Limit the immediate write-off to equipment and not buildings (or at most manufacturing);
- Instead of repealing the Alternative Minimum Tax, raise its exemption amounts;
- Make health insurance exclusions equally available to all forms of business; and
- Set a low maximum tax rate for small business operating income.

We also encourage the Committee to support one of the most powerful ideas for creating a more robust economy -- worker ownership.

Over the next decade, tens of thousands of businesses will be sold or shut down as their baby-boomer owners retire. By one estimate, up to 20,000 of these businesses must be sold each year. Without buyers, they may be shuttered, downsized, or relocated. These businesses don't have to close. Many can be sold to the people they employ. By acting to support the worker ownership of businesses, Congress can help to solve this business succession crisis.

Congress can take several actions to support worker ownership, including the use of tax reform to create tax parity for all forms of worker-owned companies, whether these are worker cooperatives or Employee Stock Ownership Plans (ESOPs), which can be created by either C Corps or S Corps. While there is no bill that does this for both worker coops and ESOPs, there is an ESOP bill (The Promotion and Expansion of Private Employee Ownership Act of 2017, H.R. 2092) which gives S Corp owners the same tax deferral that C Corp owners now get on their ESOP stock sales to workers. ASBC supports this bill, but believes that it should also give worker coops the same or similar tax benefits.

Worker-owned companies have a track record of increasing wages, strengthening local economies, and saving companies that might close otherwise. Moreover, they're resilient. During the Great Recession, many had fewer layoffs, higher survival rates, and faster recoveries than traditional businesses

ASBC overview

Founded in 2009, ASBC is a growing coalition of businesses and business networks committed to advancing policies that support a vibrant, equitable, and sustainable economy. The Council



brings together the perspective, experience, and political will of businesses to stimulate our economy, strengthen our communities, and preserve our environment. Today, the organizations that have joined in this partnership represent over 250,000 businesses.

Sincerely,

Richard Eidlin

Vice President & Co-Founder

Link to ASBC's business members

http://asbcouncil.org/membership/member-businesses#.WW-SrXg_OqA

Link to ASBC's association members

http://asbcouncil.org/membership/member-organizations#.WW-TJng_OqA