

April 11, 2025

The Honorable Jason Smith
Chairman
House Committee on Ways & Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Mike Crapo
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairmen Smith and Crapo:

As long-time Main Street champions, we encourage you to stand strong and oppose any effort to increase income tax rates, including recent proposals to raise the top individual rate to 40 percent. This idea is presented as a modest adjustment affecting only the wealthiest Americans, but it would disproportionately harm hundreds of thousands of pass-through businesses organized as S corporations, partnerships, and sole proprietorships.

Pass-throughs comprise over 95 percent of all businesses and employ 62 percent of the nation's workforce. Most pass-through business income is taxed at the top rates, so raising these rates would harm Main Street businesses engaged in just about every aspect of the economy. They are responsible for employing millions of Americans, driving investment, and supporting local economies nationwide.

The so-called "millionaire tax" in question – which actually kicks in at income around \$620,000 – would saddle them with a tax hike that offsets about half the tax benefit of extending the Section 199A deduction. Coupled with the Net Investment Income Tax and state and local taxes, the proposal would impose marginal rates exceeding 40 percent on businesses that receive the full Section 199A deduction, or twice the rate paid by C corporations.

Certain industries are precluded from Section 199A, however, as is foreign-sourced income and Section 1231 gains. So-called "guardrails" tied to wages, capital investment, and taxable income reduce the value of the deduction for many more. Businesses ineligible for the full 199A deduction would face combined marginal rates above 50 percent. Rates that high are simply not sustainable.

We understand the fiscal pressures involved in crafting a legislative package of reforms and extensions, but increasing the top individual rates would target the very businesses Congress seeks to help. Proposals like this reflect a fundamental misunderstanding of how these companies operate and their central role in the broader economy.

Thank you for standing with the Main Street community and working to extend and make permanent the TCJA's expiring provisions. As Congress continues its work on a pro-growth tax bill, we urge you to reject any effort to raise tax rates.

Sincerely,

AICC, The Independent Packaging Association
Agricultural Retailers Association
American Council of Independent Laboratories
American Foundry Society
American Lighting Association
American Mold Builders Association
American Rental Association
American Subcontractors Association
American Supply Association
Associated Builders and Contractors
Associated Equipment Distributors
Associated General Contractors of America
Brick Industry Association
Coalition of Franchisee Associations
Construction Industry Round Table
Convenience Distribution Association
Energy Marketers of America
Equipment Leasing & Finance Association
Family Business Association of California
Family Business Coalition
FCA International
Foodservice Equipment Distributors Association
Forging Industry Association
Franchise Business Services
Heating, Air-conditioning & Refrigeration Distributors International
Independent Bakers Association
Independent Community Bankers of America
Independent Electrical Contractors
Independent Insurance Agents & Brokers of America (Big "I")
Independent Lubricant Manufacturers Association
Industrial Fasteners Institute
International Foodservice Distributors Association
International Franchise Association
International Institute of Building Enclosure Consultants (IIBEC)
International Sign Association
Leading Builders of America
Main Street Employers Coalition
Manufactured Housing Institute
Manufacturer & Business Association
Metals Service Center Institute
Mortgage Bankers Association
National Apartment Association
National Association of Convenience Stores
National Association of Electrical Distributors (NAED)
National Association of Home Builders
National Association of Insurance and Financial Advisors
National Association of Wholesaler-Distributors

National Automatic Merchandising Association (NAMA)
National Beer Wholesalers Association
National Cotton Council
National Electrical Contractors Association (NECA)
NATIONAL ELECTRICAL MANUFACTURERS REPRESENTATIVES ASSOCIATION
(NEMRA)
National Franchisee Association
National Grocers Association
National Lumber & Building Material Dealers Association
National Marine Distributors Association
National Multifamily Housing Council
National Onion Association
National Ready Mixed Concrete Association
National Roofing Contractors Association
National RV Dealers Association (RVDA)
National Stone, Sand & Gravel Association
National Tooling and Machining Association
National Utility Contractors Association
National Wooden Pallet & Container Association
North American Association of Food Equipment Manufacturers (NAFEM)
North American Die Casting Association
Outdoor Power Equipment and Engine Service Association
Pennsylvania Farm Bureau
Performance Racing Industry (PRI)
Pet Industry Distributors Association
Plumbing-Heating-Cooling Contractors - National Association
Precision Machined Products Association
Precision Metalforming Association
PRINTING United Alliance
Professional Beauty Association
Refrigerated Foods Association
S Corporation Association
Small Business & Entrepreneurship Council
Small Business Legislative Council (SBLC)
Society of Collision Repair Specialists (SCRS)
Specialty Equipment Market Association (SEMA)
Spray Polyurethane Foam Alliance
Textile Care Allied Trades Association
The Association for Hose and Accessories Distribution
The Hardwood Federation
The Sheet Metal and Air Conditioning Contractors National Association (SMACNA)
The Transportation Alliance
U.S. Chamber of Commerce
Water and Sewer Distributors of America
Wholesale Florist & Floral Supplier Association
Workplace Solutions Association
Wyoming Stock Growers Association