

March 14, 2003

The Honorable Charles Grassley
United States Senate
Washington, DC 20510

Dear Chairman Grassley:

On behalf of the National Federation of Independent Business (NFIB), the Small Business Legislative Council (SBLC) and the Small Business Survival Committee (SBSC), I am writing to express our strong support for the accelerated rate reduction and expensing provisions included in the economic growth package proposed by President Bush. Many small businesses are struggling as a result of the sluggish economy. These tax relief measures will encourage small business investment and job creation providing the jump-start our economy so urgently needs.

◆ **Accelerating Income Tax Relief:** Approximately 85 percent of small businesses file their tax returns as individuals. An increase in tax refunds means small firms will have more resources and more capital to put back into growing their businesses. A series of studies by four top tax economists examined the effect of tax rate cuts on sole proprietors. Their results indicate that a 5 percent point cut in rates would increase capital investment by about 10 percent. And, they found that dropping the top tax rate from 39.6 percent to 33.2 percent would increase hiring by 12.1 percent.¹

◆ **Raising Expensing Limits:** The President's plan would increase the \$25,000 expensing limit to \$75,000, and index it for inflation. The plan also increases the annual total investment limit from \$200,000 to \$325,000. Allowing small business owners to immediately expense critical investments is a key component to the expansion of our economy. This important incentive will generate substantial economic activity by encouraging small businesses to upgrade and modernize equipment. It will help to create jobs and further enhance the productivity and competitiveness of our small business sector.

Thank you for your support of small business. We appreciate your work to restore fiscal discipline to federal spending, and we hope that you will support these provisions to help grow our economy.

Sincerely,



Dan Danner
Senior Vice President
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The National Federation
of Independent Business (NFIB)



John Satajai
President and General Counsel
The Small Business Legislative
Council (SBLC)



Karen Kerrigan
Chairwoman
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¹ Economic Policy and the Start-up, Survival, and Growth of Entrepreneurial Ventures, by Douglas Holtz-Eakin, Syracuse University and Harvey S. Rosen, Princeton University.