



July 31, 2012

Dear Representative:

On behalf of the National Federation of Independent Business (NFIB), the nation's leading small business advocacy organization, I urge you to support H.R. 8, the *Job Protection and Recession Prevention Act of 2012*. This bill would extend current tax rates through 2013, preventing a substantial tax increase on small businesses at a particularly fragile economic time. **A vote for H.R. 8 may be considered an NFIB Key Vote for the 112th Congress.**

H.R. 8 extends, for one year, the tax rates that have been in place since 2001 and 2003. 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. If these rates are not extended, the vast majority of the small business sector would see its taxes increase significantly in 2012.

The current economic outlook for small businesses remains grim. In July, the NFIB Small Business Optimism Index fell three points to a level normally found in the midst of a recession, erasing modest gains achieved earlier this year. In the same report, NFIB members reported that taxes remain a top concern of small business owners, and that "political uncertainty" continues to be a primary cause of small business owners' reticence to expand.

Small business owners face many operational challenges related to taxes. One in five small businesses has a continuing cash-flow problem, a common challenge among businesses of all sizes. Specifically, after-tax income is an especially important source of capital for small businesses. High tax rates mean less money that small business owners have to reinvest back into their business.

According to the Joint Committee on Taxation, a tax increase on income over \$200,000 would affect over half of all positive business income and 940,000 taxpayers with business income. The net effect of this policy, according to a recent study by Ernst & Young, would shrink the economy by 1.3 percent, result in the loss of 710,000 jobs, reduce investment by 2.4 percent, and reduce wages by 1.8 percent.

H.R. 8 also maintains the 2010 estate tax compromise that provides a \$5 million exemption and 35 percent estate tax rate. Without the extension proposed by this legislation, the estate tax rate will rise to 55 percent while the exemption level will drop to \$1 million. This

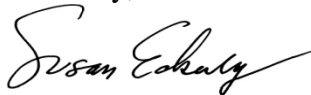
would increase the number of estates hit with the tax from 3,600 to 46,700, including 21,700 small businesses. While NFIB continues to believe that full repeal of the estate tax is the best solution to protect family owned businesses, H.R. 8 provides these businesses with short-term certainty, which will otherwise be left guessing about their estate tax liabilities and unable to make prudent business decisions.

H.R. 8 provides meaningful Alternative Minimum Tax (AMT) relief through the end of 2013, which will prevent additional tax hikes on over 23 million individuals and small businesses. Ensuring AMT relief is an important component to maintaining current rates.

NFIB is also encouraged by efforts in the House of Representatives to reform the tax code. Over the long-term, NFIB supports comprehensive tax reform that keeps the tax rates on small businesses as low as possible, reduces tax complexity, encourages growth, and provides long-term certainty.

NFIB strongly supports H.R. 8, and we look forward to working with you to protect small business as the 112th Congress moves forward.

Sincerely,

A handwritten signature in black ink that reads "Susan Eckerly". The signature is fluid and cursive, with a large initial "S" and a long, sweeping underline.

Susan Eckerly
Senior Vice President
Public Policy