



July 25, 2012

United States Senate
Washington, D.C. 20510

Dear Senator:

On behalf of Associated Builders and Contractors (ABC), a national association with 74 chapters representing 22,000 merit shop construction and construction-related firms, I am writing to express strong opposition to the Middle Class Tax Cut Act of 2012 (S. 3412), an ill-considered measure that would amount to a massive tax increase on business income, capital investment, and succession.

Per the National Federation of Independent Businesses, 14 percent of small business employers will see a double-digit rate increase under this bill, foisting a large tax hike on nearly one million job creators at the worst possible time. According to a new study by Ernst & Young, these tax increases would cost more than 700,000 American jobs and reduce the economy by 1.3 percent while diminishing wages and capital investment. With roughly 80 percent of commercial contractors paying business income taxes at the individual level, this scenario would disproportionately harm the construction industry.

Worse yet, the resurgent estate tax burden enabled by this bill will harm family businesses across the spectrum. Absent explicit congressional action, uncertain business owners would be faced with an escalated 55 percent rate with a severely diminished \$1 million exemption. According to the National Small Business Association, one-third of all small business owners would be forced to sell outright or liquidate a significant portion of their company to pay this punitive tax. In a capital-intensive industry such as construction, with a large proportion of closely-held and family-owned businesses, a reversion to pre-2001 estate tax levels would be nothing short of disastrous.

Rather than exposing nearly one in seven job creators to a perilous fiscal cliff, Congress must act swiftly to extend current tax policies as a bridge to comprehensive tax reform. The Hatch-McConnell alternative plan would do just that, continuing the 2001 and 2003 rates while abiding by the bipartisan estate tax compromise reached in 2010 and providing for a path to reform the code.

ABC strongly opposes the small business tax hikes contained in S. 3412, and urges a NO vote for cloture on the motion to proceed.

Sincerely,

Geoffrey Burr
Vice President, Federal Affairs