



April 27, 2016

The Honorable Vern Buchanan
U.S. House of Representatives
2104 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Buchanan,

I write in support of your legislation, the “Main Street Fairness Act.” By ensuring that pass-through businesses are taxed at a rate not exceeding the rate imposed on corporations, **the Main Street Fairness Act guarantees that businesses will be treated equitably regardless of how they choose to organize.**

Under the tax code, businesses are categorized into two basic categories – corporations and pass through firms. Based on how they choose to organize, they face drastically different tax, legal, and employment consequences.

If a businesses is organized as a corporation, it typically calculates profits by subtracting expenses from revenue and then pays a federal corporate income tax rate of 35 percent, plus a state corporate rate which averages over 4 percent.

Businesses organized as pass-through firms don’t pay taxes themselves. Instead, the profits of the business “pass through” to the owners who pay individual taxes on their 1040 form. Typically, this means that pass-throughs pay a higher rate than corporations, exceeding 50 percent in some states.

For many small businesses or startups this creates a significant competitive disadvantage that makes it harder to compete with businesses organized as corporations.

The Main Street Fairness Act wisely addresses this discrepancy by ensuring that any business organized as a pass-through does not pay a rate greater than the 35 percent rate paid by corporations. This important change helps ensure that businesses are on a level playing field for decades to come.

A key goal of tax reform should be taxing businesses equally, not discriminating based on arbitrary laws, and your legislation ensures this becomes reality. Members of Congress should have no hesitation supporting and co-sponsoring this pro-taxpayer, pro-small business legislation.

Onward,

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