



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,

Grover G. Norquist  
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