



May 15, 2008

Dear Representative:

On behalf of the National Federation of Independent Business, the nation's leading small business advocacy organization, I am writing to express our serious concerns regarding the income tax increase and expansion of unemployment benefits included in H.R. 2642, the Iraq/Afghanistan Supplemental Appropriations bill.

While funding for military efforts in Iraq and Afghanistan and the benefits provided to our nation's veterans are of paramount importance, we do not believe that Congress should pay for new spending by imposing new taxes on individuals. We are particularly concerned that Congress is only considering a tax increase to comply with PAYGO rules, instead of cutting spending.

The pay-for language in the bill specifically excludes corporations from any tax increase and only applies to individuals, indicating that Congress still fails to understand the difference between large corporations and small businesses. The vast majority of small businesses (over 75%) pay their business taxes at the individual level, so increasing individual taxes is increasing taxes on America's job creators. When launching a business, the small business owner's personal income is the most significant source of capital. The most important source of capital for reinvestment in and expansion of the business is earnings retained from business profits – the amount of money kept after taxes.

In addition, H.R. 2642 includes a broad expansion of unemployment benefits to states not suffering from high unemployment rates, and the elimination of the workforce attachment requirement means that the unemployment trust fund will be unnecessarily weakened. Such payments will have to be made up with extensions and increases in Federal and State unemployment taxes.

Over the last decade, small businesses have created nearly 80% of the net new jobs, and owners have done this by investing their capital back into the business. With individual tax rates scheduled to increase at the end of 2010, NFIB would welcome the opportunity to sit down with Congressional leaders to underscore the impact of higher individual rates on small business.

While NFIB is strongly supportive of funding our troops and veterans, we urge Congress to reconsider how it pays for new spending priorities as it moves ahead with this year's budget.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Danner", with a long horizontal flourish extending to the right.

Dan Danner
Executive Vice President
Public Policy and Political