

The Honorable Nancy Pelosi
Speaker of the House
H-232 United States Capitol
Washington, D.C. 20515

The Honorable Harry Reid
Senate Majority Leader
S-221 United States Capitol
Washington, D.C. 20510

The Honorable John Boehner
House Minority Leader
H-204 United States Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Senate Minority Leader
S-230 United States Capitol
Washington, D.C. 20510

Dear Congressional Leader:

As representatives of America's small business community and the millions of workers they employ, we are writing to express our strongest possible opposition to imposing a new "Medicare" tax on non-wage income as part of health care reform.

Under the proposed reconciliation package, starting in 2013, households with incomes above \$200,000 (\$250,000 for married couples) will have a new, 3.8 percent tax applied to their income from interest, dividends, capital gains, and some profits from investments in partnerships and S corporations.

From the business communities' perspective, this new tax embraces the worst features of financing provisions in the House- and Senate-passed bills. To begin with, as in the Senate bill, it continues the practice attributing revenues to a Medicare trust fund while actually spending the money on a new, expensive entitlement.

Meanwhile, similar to the House bill, it will subject savings to dramatically higher marginal rates, resulting in less investment and job creation. Combined with other scheduled changes, under this plan the new top rate on interest income would be 27 percent higher than today, the top rate on capital gains would be 67 percent higher, and the top rate on dividends would be 197 percent higher.

Finally, while the tax has been described as applying to the "unearned" income of only a few taxpayers, it is actually a direct tax on the majority of taxable savings in this country. In 2007, households with incomes exceeding \$200,000 accounted for 47 percent of all interest income, 60 percent of all dividends, and 84 percent of all capital gains reported on tax returns.

Businesses and workers rely on these savings to increase their productivity and wages. At a time when businesses are having a hard time accessing credit, millions of workers are unemployed, and the entire economy needs to recapitalize, raising taxes by this amount on that much capital is simply reckless.

As a result of these concerns, we strongly urge the Congress to reject this proposal, refocus your energies on job creation and economic growth, lower tax rates rather than raise them, and help our members grow their way out of the current recession.

Sincerely,

AMT -- The Association For Manufacturing Technology
Associated Builders and Contractors
Food Marketing Institute
Independent Insurance Agents & Brokers of America
Independent Community Bankers of America
International Council of Shopping Centers
International Franchise Association
National Association of Manufacturers
National Association of Wholesaler-Distributors
National Federation of Independent Business
National Lumber and Building Material Dealers Association
National Retail Federation
S Corporation Association
U.S. Business and Industry Council
U.S. Chamber of Commerce