The undersigned organizations represent millions of Main Street businesses and employ tens of millions of workers and we oppose the Senate-passed Inflation Reduction Act.

Inflation is at 40-year highs, we have had two consecutive quarters of negative economic growth, and we are witnessing a shrinking small business sector, yet the Inflation Reduction Act does nothing to address these immediate issues even as it increases the burden of the tax code shouldered by America’s small and family-owned businesses.

The Biden Administration claims the savings in the IRA are “front-loaded” and will reduce the deficit in the short-term, helping to ease inflationary pressures. That is simply not the case. Recent analysis by the Congressional Budget Office, Penn-Wharton, and others shows the Inflation Reduction Act would increase prices in the short term and do little to bring them down in the long run.

At the same time, the bill would give the IRS an additional $80 billion in funding, more than half of which would pay for thousands of additional IRS agents to conduct millions of additional audits. We support addressing the tax gap and oppose illegal tax evasion, but as former National Taxpayer Advocate Nina Olson observed recently, it is wrong and counterproductive to characterize the entire tax gap as willful tax evasion. From experience, we know many, if not most, of these additional audits will be conducted on the owners of family businesses who have fully complied with the tax code.

Finally, the Warner Amendment adopted at the last minute presented the Senate with a clear choice between Wall Street and Main Street, and the Senate chose Wall Street. The amendment extends for two years the Section 461(l) cap on losses a business owner is permitted to claim. This $52 billion tax hike on pass-through businesses was adopted with almost no consideration, and the revenues it raises were used to offset the cost of exempting private equity investors from the fifteen-percent corporate minimum tax. The cap on active pass-through loss deductions is bad
policy at any time, but it is particularly harmful when the economy is weak and an increasing number of businesses are suffering losses. The timing of this amendment’s adoption could not have been worse.

The Inflation Reduction Act would fail to reduce price pressures even as it raises the cost of the tax code to small and family-owned businesses at a time of economic weakness. We ask that you reject the IRA’s Main Street tax hike when it is considered by the full House.

Sincerely,

AAHOA
AICCC, The Independent Packaging Association
Air Conditioning Contractors of America
American Building Materials Alliance (ABMA)
American Hotel and Lodging Association
American Pipeline Contractors Association
American Supply Association
Associated Builders and Contractors
Associated Equipment Distributors
Associated General Contractors of America
Brick Industry Association
Ceramic Tile Distributors Association
Construction Industry Round Table
Convenience Distribution Association
Distribution Contractors Association
Education Market Association
Family Business Coalition
Financial Executives International (FEI)
Foodservice Equipment Distributors Association
Forest Resources Association
Heating, Air-conditioning, & Refrigeration Distributors International
Illinois Farm Bureau
Independent Bakers Association
Independent Electrical Contractors
Independent Insurance Agents & Brokers of America
Independent Office Products & Furniture Dealers Association
International Association of Plastics Distribution (IAPD)
International Foodservice Distributors Association
International Housewares Association
Main Street Employers Coalition
Manufactured Housing Institute
Material Handling Equipment Distributors Association
Metals Service Center Institute
National Association of Electrical Distributors