October 31, 2006

VIA E-MAIL AND HAND DELIVERY

The Honorable Bill Thomas
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Charles Grassley
Chairman
Committee on Finance
U.S. Senate
Washington, DC 20510

Re: Technical Corrections Act of 2006 (H.R. 6264 / S. 2026) and Small Business Concerns with Section 7

Chairman Thomas and Chairman Grassley:

I am writing to convey the interests of small business advocacy organizations that have contacted me regarding H.R. 6264 and its Senate counterpart S. 2026, the Technical Corrections Act of 2006. Specifically, trade and membership organizations that represent small businesses have expressed concern with how Section 7 may impact their operations.

Congress established the Office of Advocacy at the U.S. Small Business Administration (SBA) to represent the views of small businesses before Federal agencies and Congress. Public Law 94-305 requires that the Office of Advocacy, "determine the impact of the tax structure on small businesses and make legislative and other proposals for altering the tax structure to enable all small business to realize their potential for contributing to the improvement of the Nation's economic well-being."[1]

The Office of Advocacy is an independent office within the U.S. Small Business Administration, so the views expressed in this letter do not necessarily reflect the views of the SBA or the Administration. This letter was not circulated to the Office of Management and Budget for comment prior to its submittal to Congress.

First, I must commend the Committee for soliciting review and comment, for working in consultation with the Joint Committee on Taxation, and for working with the U.S. Department of the Treasury prior to finalizing technical corrections. The technical corrections legislation will be better written due to your inclusiveness and your commitment to make comments publicly available after the comment period has ended.

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[1] 15 U.S.C. Sec. 634(b)(4).

I feel that it is my responsibility to convey that some small business groups have concerns with Section 7. The small business groups that have contacted me believe Section 7 will prevent Interest Charge Domestic International Sales Corporation (IC-DISC) dividends from being taxed at the lower 15-percent tax rate.

I pointed out the positive impact that recent tax legislation has had on small business when I testified before the Small Business Committee in the House of Representatives in 2003.[2] More recently, dynamic analysis conducted by the U.S. Department of Treasury, documents the economic benefits of lower tax rates on dividends for small business and the economy in general.[3] The tax relief legislation drafted by your Committee and enacted in 2001 and 2003 demonstrates an appreciation for how legislative changes to the tax code impact small business. I would like to work with the Committee to ensure that small business views are fully vetted prior to finalizing the Tax Technical Corrections Act of 2006 so that small business can continue to benefit from tax relief passed by the 108th and 109th Congresses.

If you have questions about the content of this letter, please do not hesitate to contact me or my office's tax counsel, Candace Ewell. She is reachable at (202) 401-9787 or candace.ewell@sba.gov.

Sincerely,

/s/ _____

Thomas M. Sullivan
Chief Counsel for Advocacy

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[2] Testimony of Thomas M. Sullivan, Chief Counsel for Advocacy, U.S. Small Business Administration before the Committee on Small Business, U.S. House of Representatives, *Assisting Small Business Through the Tax Code – Recent Gains and What Needs to be Done* (July 23, 2003), http://www.sba.gov/advo/laws/test03_0723.html

[3] U.S. Department of the Treasury, Office of Tax Analysis, *A Dynamic Analysis of Permanent Extension of the President's Tax Relief* (July 25, 2006), http://www.ustreas.gov/press/releases/reports/treasurydynamicanalysisreporjjuly252006.pdf