

Similar letters were sent to the Honorable Dennis Hastert, Speaker, House of Representatives, the Honorable Nancy Pelosi, Minority Leader, House of Representatives, the Honorable Charles E. Grassley, Chairman, Senate Finance Committee, the Honorable Bill Frist, Majority Leader, U.S. Senate, and the Honorable Thomas A. Daschle, Minority Leader, U.S. Senate



**OFFICE OF ADVOCACY  
U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, DC 20416**

October 5, 2004

The Honorable William M. Thomas  
Chairman, Committee on Ways and Means  
United States House of Representatives  
Washington, DC 20515

Re: Advocacy's Support for Small Business Provisions in H.R. 4520/S. 1637

Dear Chairman Thomas:

I commend the House of Representatives and the Committee on Ways and Means for the small business provisions and manufacturing deductions in H.R. 4520 (S. 1637), the "American Jobs Creation Act." I look forward to seeing these tax benefits retained in the final version of the legislation replacing the foreign sales corporation/extraterritorial income exclusion ("FSC/ETI"), when it is reported out by the conference committee.

Congress established the Office of Advocacy (Advocacy) in 1976 to represent the views of small business before Federal agencies and Congress. Advocacy is an independent office within the U.S. Small Business Administration (SBA), so the views expressed in this letter do not necessarily reflect the views of the SBA or the Administration.

Last week, the conferees under your leadership enhanced the FSC/ETI reform legislation by adding to the bill a 9 percent tax deduction available to all manufacturers. Most importantly, that deduction was made available to manufacturers regardless of their

structure, making the tax benefit flow to owners of partnerships and S corporations in addition to manufacturers structured as C corporations. These provisions will ensure that broad sections of the small business community benefit from Congress's action on H.R. 4520/S. 1637.

The small business community has informed the Office of Advocacy of its endorsement of these changes. Small employers are leading America's economic recovery, and small manufacturers provide the kind of jobs that keep our industrial base competitive in the global marketplace. Tax provisions such as this aid greatly in that effort and reward our smaller manufacturers for the jobs they provide in their communities.

I wish also to commend the conferees' extension of increased section 179 expensing appearing in the current mark. The Office of Advocacy continues to support making the increases to section 179 passed in the Jobs and Growth Act permanent. The extension of those increases in H.R. 4520/S. 1637 is vital to the small business community, as it represents both tax savings and significant tax simplification.

I hope Congress retains these small business tax provisions during its consideration of legislation to address the FSC/ETI issues. Economic indicators already document the benefits of the Jobs and Growth Act signed by President Bush in June. Further incentives for small business investment are a valuable part of any legislative package designed to stimulate manufacturing, exporting, and job growth in our economy.

Thank you for your efforts on behalf of small businesses in your stewardship of the Committee on Ways and Means. Please feel free to call on me if I can be of assistance to you at 202-205-6533.

Sincerely,

Thomas M. Sullivan

Chief Counsel for Advocacy