

TAX RELIEF COALITION

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June 20, 2012

To All Members of the U.S. Senate and House of Representatives

The Tax Relief Coalition (TRC) is an organization of more than 1,000 trade associations, corporations and advocacy groups, formed in 2001 to advocate for pro-growth tax policies. Our members represent 1.8 million businesses of all sizes, from every state and from every industry sector – businesses that invest in our economy and create jobs.

TRC members are extremely concerned about the impending “fiscal cliff” that would impose about \$600 billion in automatic spending cuts and tax increases on the economy in 2013. TRC strongly urges Congress and the Administration to move quickly to avoid this crisis by extending current fiscal policy including the expiring and expired tax provisions and making critically necessary reforms to our tax and entitlement systems their highest priority in the next Congress.

If Congress and the Administration fail to come to agreement soon, the combined effect of indiscriminate spending cuts and tax increases would result in a fiscal policy reduction of more than 4 percent of GDP. The timing of the “fiscal cliff” is of particular concern to TRC members who, like other Americans, are continuing to confront daunting economic challenges as the recovery continues to struggle

We believe the free enterprise system is the only way to achieve a durable recovery with faster, more robust economic growth. While growth alone is not a panacea for all our problems, it is a necessary precondition to solving them. Not only would more vigorous growth generate additional tax revenues and reduce the need for federal spending, it would also clear the way to address our nation’s deeper “structural” deficit.

Vigorous growth would also help the economy and jobs, which remain central issues to TRC members as well as a majority of Americans. A CBS/NYT’s poll issued last month showed that 62 percent of registered voters rate the economy and jobs as the top issues in the presidential campaign and 73 percent of registered voters consider fiscal and economic issues as the most important campaign issues. Moreover, nearly three quarters of most likely voters focus only on the economy and jobs. Absent legislative action between now and Election Day, Congress and the President will have less than two months following the election to resolve these major fiscal issues. The challenges of crafting a package of revenues and spending cuts to reduce the deficit while protecting a still-fragile recovery are tough, but not impossible.

June 20, 2012

Page 2

Moreover, it is critically important that policy makers act as soon as possible to avoid the “fiscal cliff.” Federal Reserve Chairman Ben Bernanke has repeatedly cautioned policy makers about the dangers of inaction, noting in April that “if no action were...taken by the fiscal authorities, the size of the fiscal cliff is such ...there’s absolutely no chance that the Fed could or would have any ability to offset, whatsoever, that effect on the economy....”

In the *Economic Effects of Reducing the Fiscal Restraint That Is Scheduled to Occur in 2013* issued in May, Congressional Budget Office (CBO) concluded that the fiscal cliff would lower GDP growth from 2.2 percent in 2012 to only 0.5 percent in 2013 and GDP would remain below its potential rate until the first half of 2018. The resulting slower projected growth would result in a weaker labor market and raise the unemployment rate by about 1.0 percentage point over the next year. According to CBO, “given the pattern of past recessions as identified by the National Bureau of Economic Research, such a contraction in output in the first half of 2013 would probably be judged to be a recession.”

Similarly, Mark Zandi, from Moody’s Analytics estimates that without changes to fiscal policy, the fiscal drag will subtract more than 3.0 percentage points from GDP in 2013 while former Federal Reserve Vice Chairman Alan Blinder believes the "resulting fiscal contraction—consisting of both tax increases and spending cuts—would be about 3.5 percent of gross domestic product" and would "be a disaster for the United States."

In a recent interview, Senate Budget Committee Chairman Kent Conrad (D-N.D.), a member of the Gang of Six, said that it ‘might make some sense’ to extend all the taxes in the short term if lawmakers need more time to fundamentally reform the current corporate and individual tax system.

Very simply, the combination of spending cuts and tax increases could bring the economy to its knees at the end of 2012 – a perfect storm of contractionary tax and spending policies that could push a fragile American economy back into recession.

A political showdown is a risky economic strategy for the country and the TRC strongly urges Congress to set aside partisan differences and act as soon as possible to address the components of this fiscal cliff and provide certainty by extending the tax rates and expired and expiring tax provisions to avoid driving the economy off the cliff.

At the same time, it is critically important policy makers set the country on a path forward to address longer-term tax and entitlement reform. Clearly the federal government’s long-term finances are unsustainable. The aging of society and rising healthcare costs will push spending on social programs to unprecedented levels. Controlling Medicare, Medicaid, and Social Security spending is the key to long-term deficit and debt reduction. A plan that moves forward to address the fiscal cliff will also give policymakers the opportunity to build a fairer, simpler tax system that encourages economic growth and promotes competitiveness.

TRC members believe that a credible bipartisan plan for long-term deficit reduction and economic growth would produce the immediate benefits of reducing uncertainty and improving financial stability and set the stage for long-term deficit reduction through comprehensive tax and entitlement reform.

June 20, 2012

Page 3

Thank you in advance for taking action as soon as possible to avoid an avoidable fiscal crisis and to work to address our nation's long-term fiscal challenges.

Sincerely,

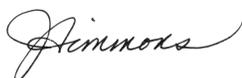
THE TAX RELIEF COALITION MANAGEMENT COMMITTEE:



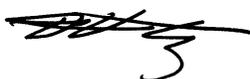
Stephen E. Sandherr, Chief Executive Officer, Associated General Contractors



Jon Eisen, Senior Vice President-Government Relations, International Foodservice Distributors Association



Jay Timmons, President, National Association of Manufacturers



Dirk Van Dongen, President, National Association of Wholesaler-Distributors



Jade West, TRC Executive Secretariat, Senior Vice President-Government Relations, National Association of Wholesaler-Distributors



Dan Danner, President & CEO, National Federation of Independent Business



R. Bruce Josten, Executive Vice President-Government Affairs, U.S. Chamber of Commerce

To view a list of Tax Relief Coalition members, go to:

<http://www.naw.org/files/TRC.pdf>