



June 15, 2010

Dear Senator:

On behalf of the American Council of Engineering Companies (ACEC) and the American Institute of Architects (AIA), we are writing to express our concerns about Section 413 of the American Jobs and Closing Tax Loopholes Act of 2010 (H.R. 4213), which will add to the tax burden of certain S corporations.

ACEC represents over 5,300 engineering companies and their more than 400,000 employees throughout the United States. AIA represents more than 83,000 architects and allied professionals.

Many of the member firms in our respective organizations are organized as S corporations. H.R. 4213 includes a provision that will increase payroll taxes on professional services businesses, including small engineering and architecture practices, whose principal asset is the skill and reputation of three or fewer employees. These firms are struggling to survive in a weak economy, and Section 413 of the bill represents a tax increase on them at a time when they can least afford it.

Moreover, enforcement of the provision will be extremely difficult. Compliance will require firms to undergo an annual valuation to determine whether the skill and reputation of certain employees is the firm's principal asset. This process will be costly and burdensome for the firms, not to mention the significant enforcement challenges for the IRS.

Senators Olympia Snowe and Mike Enzi have filed an amendment to strike Section 413 from the legislation. We respectfully urge you to support the Snowe-Enzi amendment and to consider alternative approaches that would not negatively impact tax-compliant employers.

Sincerely,

A handwritten signature in black ink that reads "David A. Raymond".

David A. Raymond
President & CEO
ACEC

A handwritten signature in black ink that reads "Christine W. McEntee".

Christine W. McEntee
Executive Vice President/CEO
AIA