

Dec. 1, 2011

Dear Senators:

We are writing to share our strong support for the employer payroll tax cut included in Senator Casey's legislation, The Middle Class Tax Cut Act Of 2011. The payroll tax provision, which was originally proposed in the president's American Jobs Act, would cut small businesses' taxes in half for their first \$5 million in payroll. Next year, instead of paying 6.2% on their payroll expenses, they would pay only 3.1%. Since 98% of all businesses have less than \$5 million in payroll, the vast majority would see a significant drop in their total payroll taxes that could help them grow their business and the economy. In addition, it would give the nation's 22 million self-employed individuals a significant boost to help them grow their businesses, as they pay both the employer and employee contributions under the Federal Insurance Contributions Act.

The nonpartisan Congressional Budget Office found a payroll tax reduction for employers to be one of the most cost-effective policies they analyzed. The CBO found that reducing the employer payroll tax could lower employment costs that would encourage some employers to reduce the prices of their goods and services in order to sell more, and higher sales would lead to increased production which would generate new jobs. Other employers would retain the savings as profits and others would use slightly more labor if it was less expensive. Finally, some employers might pass on the savings to their employees through higher wages.

A strong economic case for the tax cuts has been built. There is significant research pointing to the financial benefits that would arise over the long term with the payroll tax cuts, and it's probable that they'll have a dynamic effect on small businesses' ability to grow the economy. We urge you to pass this legislation without delay.

Sincerely,

Association for Enterprise Opportunity  
National Association for the Self Employed  
National Gay and Lesbian Chamber of Commerce  
National Marine Manufacturers Association  
Small Business Majority  
U.S. Black Chamber of Commerce  
U.S. Hispanic Chamber of Commerce