



Dec. 7, 2011

Dear Senators:

We want to share our strong support for both the employer and employee payroll tax cut provisions as well as the payroll tax holiday for increased wages or added workers, as proposed in the president's American Jobs Act. Continuing and enhancing the employee tax cut will help stimulate economic growth by putting more money in workers' pockets, and cutting small businesses' taxes in half from 6.2% to 3.1% for their first \$5 million in payroll will go a long way in helping small employers create much-needed jobs.

There are multiple proposals being considered from both sides of the aisle on this issue. But unless both the employee and employer tax cuts and payroll tax holiday as proposed by the president are included in a final bill, it won't do as much as to could to help the country's primary job creators pull the economy out of the doldrums.

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 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 were less expensive. Finally, some employers might pass on the savings to their employees through higher wages.

Additionally, a JP Morgan economist found if Congress doesn't continue the employee payroll tax cuts, "the drag from tightening fiscal policy could subtract 1.5 to 2 percentage points from GDP growth next year."

A strong economic case for the tax cuts and tax holiday as proposed by the president 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. It's imperative a solution that comes as close to the president's plan as possible is enacted immediately. Small businesses and the economy desperately need it.

Sincerely,

A handwritten signature in black ink that reads "John C. Arensmeyer".

John Arensmeyer  
Founder & CEO