

December 14, 2021

The Honorable Ron Wyden
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Chairman Wyden:

On behalf of partnerships from across the United States' economy, the undersigned organizations write to express our opposition to the proposed changes to Subchapter K of the Internal Revenue Code included in the *Pass-through Reform Discussion Draft* released on September 10, 2021. If enacted in its current form, the discussion draft would act as a drag on the U.S. economy by creating uncertainty and complexity for millions of businesses in America.

As you know, the partnership structure is a longstanding construct used by individuals, companies and research institutions to pool capital resources with expertise to provide goods and services demanded by the market. Partnerships are so common and integrated into our economy that any disruption to their function, or increased administrative or tax burdens, have an immediate and widespread negative impact on the U.S economy. They are flexible arrangements that allow taxpayers to bring resources together in ways that maximize synergies to best compete in the modern economy.

Given the broad consequences of changes to partnership rules, we oppose inclusion of this proposal in the Build Back Better Act. It is imperative that any changes to the tax rules governing these businesses be approached in a deliberative manner that provides the opportunity for input from affected entities and robust, public debate at the Committee. There are more than 4 million partnerships with over 27 million participating partners in the U.S. These firms are currently facing ongoing challenges as the nation recovers from the pandemic, including supply chain disruptions, rising costs and labor shortages – now is a particularly perilous time to alter tax rules for such a wide swath of the economy.

In addition, the Internal Revenue Service has finalized rules implementing augmented enforcement and audit authority it was granted by Congress in the Bipartisan Budget Act of 2015. The IRS and the Department of the Treasury have signaled that they will begin issuing audit notices under its “Large Partnership Compliance Program” this fall. By focusing on the largest and most complex partnerships, the agency is already taking action against potential abuses of Subchapter K rules. Furthermore, in anticipation of this initiative, the IRS added more than 200 new agents to its Large Business and International Division, and are devoting “significant resources to its Global High-Wealth Program and has committed to identifying high-income non-filers,” according to a analysis from KPMG LLP.¹ Accordingly, we believe that more time is needed to determine the efficacy of IRS implementation of the most recent Congressional action on Subchapter K.

The undersigned organizations on this list fully support fair and equitable enforcement of our nation's tax laws. Consistency of policy and the enforcement is fundamental to creating a durable investment environment that allows businesses large and small to start, grow, expand and create jobs that improve lives. The long-standing rules that govern partnerships are among the most foundational policies that have allowed our economy to be the most dynamic in the

¹ https://news.bloomberglaw.com/daily-tax-report/irs-launches-large-partnership-audits/?utm_source=Email_Share

world. Therefore, changes to those rules cannot be undertaken lightly without running the risk of causing significant unplanned economic disruption. Consequently, we encourage you to exclude the proposed changes to Subchapter K in the final version of the reconciliation package.

Sincerely,

Alliance of Wyoming Manufacturers
American Bakers Association
American Farm Bureau Federation
American Foundry Society
American Mold Builders Association
Arkansas State Chamber of Commerce
Associated Equipment Distributors
The Association of the Nonwoven Fabrics Industry (INDA)
Association of Washington Business
Auto Care Association
Brick Industry Association
Business & Industry Association of New Hampshire
California Manufacturers & Technology Association
Can Manufacturers Institute
CCIM Institute
Colorado Chamber of Commerce
Composite Panel Association
Connecticut Business & Industry Association
Council for Rural and Affordable Housing
Council of Industry of Southeastern New York
Electronic Components Industry Association (ECIA)
Food Marketing Institute
Forest Resources Association
Glass Packaging Institute (GPI)
Global Cold Chain Alliance
Greater North Dakota Chamber
The Hardwood Federation
Household & Commercial Products Association
Ignite Long Island
Illinois Manufacturers' Association
The Independent Packaging Association (AICC)
Independent Petroleum Association of America
Industrial Fasteners Institute
Institute of Real Estate Management
Institute of Scrap Recycling Industries (ISRI)
International Association of Plastics Distribution
International Council of Shopping Centers (ICSC)
Iowa Association of Business and Industry
IPC International, Inc.
Jackson Area Manufacturers Association

Kansas Chamber of Commerce & Industry
MACNY, The Manufacturers Association
Maine State Chamber of Commerce
Manufacturing Industrial Council for the South Sound (Washington)
Michigan Manufacturers Association
Minnesota Chamber of Commerce
Mississippi Manufacturers Association
Montana Chamber of Commerce
Mortgage Bankers Association
National Apartment Association
National Association of Convenience Stores
National Association of Home Builders
National Association of Manufacturers
National Association of REALTORS®
National Association of Truck Stop Owners (NATSO)
National Automatic Merchandising Association (NAMA)
National Cotton Council
National Lime Association
National Multifamily Housing Council
National Pest Management Association
National Shooting Sports Foundation
National Tooling and Machining Association
National Waste & Recycling Association
National Wooden Pallet & Container Association
Nebraska Chamber of Commerce & Industry
New Jersey Business & Industry Association
New Mexico Business Coalition (NMBC)
Next Generation Manufacturing (Georgia)
North American Association of Food Equipment Manufacturers
(NAFEM)
North American Meat Institute
North Carolina Chamber
Northeast Pennsylvania Manufacturers & Employers Association
Oregon Business & Industry
Pennsylvania Manufacturers' Association
Petroleum Equipment Association
Plastics Industry Association
Plastics Pipe Institute
Plumbing Manufacturers International
Pool and Hot Tub Alliance
Precision Metalforming Association
PRINTING United Alliance
REALTORS® Land Institute
Resilient Floor Covering Institute

Rhode Island Manufacturers Association
Society of Industrial and Office REALTORS®
Southeastern Lumber Manufacturers Association
Specialty Equipment Market Association (SEMA)
The State Chamber of Oklahoma
Tennessee Chamber of Commerce & Industry
Texas Association of Business
The Toy Association
Utah Manufacturers Association
Valley Industrial Association
Virginia Manufacturers Association
West Virginia Manufacturers Association
Wisconsin Manufacturers & Commerce