

I am strongly opposed to this supposed technical correction to a program that benefits our exporting privately held businesses. Please delete this onerous language from the technical corrections bill described below.

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WASHINGTON WIRE

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Proposed Tax Increase on S Corp Exporters!

Just before breaking for the November elections, the Senate Finance and House Ways and Means Committees introduced their tax technical corrections bills (H.R. 6264 & S. 4026) to fix errors and ambiguities in the tax code. The bills are open to review and comment through October 31st, with the expectation that they will be adopted by Congress and sent to the President during the final weeks of this Congress.

Alert! One provision included in both bills would increase from 15 percent to 35 percent the tax rate on qualified export income for small business exporters! This provision is not a technical correction and should not be made part of the bill with that heading, or any other heading for that matter.

Under the current code, S corporations that export manufactured goods can set up an Interest Charge Domestic International Sales Corporation (IC-DISC). The features of the IC-DISC are two-fold: Income attributed to the IC-DISC is deferred until it is distributed to the parent S corporation, and then it is taxed as a dividend at a 15 percent rate. The amount of income that can be deferred is capped to ensure this is a small exporter provision. Following the repeal of DISC, FSC, and ETI, the IC-DISC is the last remaining tax provision targeted directly at S corporations and other pass-through exporters. H.R. 6264 and S. 4026 would eliminate this benefit!

The S Corporation Association is working with other affected groups such as the Small Business Exporters Association to ensure that this substantive and controversial amendment does not pass under the guise of a technical correction. If you or your clients benefit from IC-DISC, *please let us know*.

Also, you can send comments directly to the Finance and Ways and Means Committee protesting the elimination of this important export incentive. Comments must be submitted by COB on October 31st and should be directed to:

techcorrections@finance-rep.senate.gov

Or

Attn: Comments on the *Tax Technical Corrections Act of 2006*
U.S. Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20515

Be sure to copy the Ways and Means Committee as well. The form to submit comments to that Committee can be found at:

<http://waysandmeans.house.gov/hearings.asp?formmode=comment&hearing=50>