



May 18, 2017

Chairman Kevin Brady  
Committee on Ways & Means  
U.S. House of Representatives  
Washington, DC 20515

Chairman Peter Roskam  
Subcommittee on Tax Policy  
Committee on Ways & Means  
Washington, DC 20515

RE: Written comments for the hearing entitled: *How Tax Reform Will Grow Our Economy and Create Jobs Across America*

---

On behalf of National Association of Electrical Distributors (NAED) I write to offer comments on the future of comprehensive tax reform. NAED is a trade association for the \$70+ billion electrical distribution industry. Through networking, education, research, and benchmarking, NAED helps electrical distributors increase profitability and improve the channel. NAED represents more than 600 manufacturers and distributors of electrical products across the country. Our members are companies of all sizes - from small and mid-sized independents to large regional and national chains.

NAED members have been faced with an increasingly complicated tax code and remain steadfast proponents of comprehensive tax reform. Broadly speaking, our members want reform that simplifies the tax code, eliminates double taxation, and lowers rates on businesses. Our team plans to look closely at the legislative language of all tax reform proposals offered in Congress. We will be pushing for key principles including:

- Fairness for pass through entities – Currently, business tax rates for small companies can reach as high as 39.6 percent, which are some of the highest in the world. A high business tax rate not only makes companies less competitive, but also serves as a burden on employees by depressing wages. The vast majority of NAED members operate as pass through entities. NAED members support reducing the top marginal tax rate for all businesses in an equitable manner that does not give an advantage to either corporations or pass-through businesses. If tax rates can be reduced, NAED members will be able to keep more of their hard-earned profits and grow their companies, raise wages, hire new workers, and invest in their communities.
- Full business expensing - Currently, business owners must depreciate capital goods over many years when they purchase new equipment which disincentives new investment. Large purchases like delivery trucks or forklifts currently take years to depreciate. The change to full business expensing would create an incentive for companies of all sizes to invest in new equipment. Allowing capital purchases to be deducted from business income would make it easier for our members to purchase the equipment and tools they need to expand.

- Repeal of the estate tax – NAED members typically own multiple warehouses and millions of dollars in inventory. A typical NAED member business is valued at nearly \$30 million. When a business owner dies, the large stockpiles of necessary electrical components and assets often put the business well over the estate tax threshold. The electrical wholesale industry is rapidly consolidating. One of the primary drivers of this consolidation is the estate tax. Several of our multi-generational family businesses have already incurred significant setbacks from the estate tax. Any business that is planning for the next generation must hire lawyers and accountants in order to minimize the damage from the death tax. Money that NAED members currently spend in tax compliance would be better used to reinvest in their businesses.

NAED members are encouraged by steps taken this Congress to improve the regulatory and tax landscape for small businesses. Now is the time to take the next step by passing a complete overhaul of the antiquated tax code. Tax reform should help our members focus less on tax compliance and more on supplying the electrical equipment needed to build America. We look forward to reviewing the details of all tax reform plans offered in Congress.