Associated Equipment Distributors
Washington Office
1201 15th Street, NW
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September 20, 2017

The Honorable Orrin G. Hatch
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

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

The Honorable Kevin Brady
Chairman
Committee on Ways & Means
United States House of Representatives
Washington, D.C. 201515

The Honorable Richard Neal
Ranking Member
Committee on Ways & Means
United States House of Representatives
Washington, D.C. 20515

Re: Tax Reform and the Business Interest Deduction

Dear Chairmen Hatch and Brady and Ranking Members Wyden and Neal:

I'm writing on behalf of Associated Equipment Distributors (AED) to urge Congress to maintain the business interest deduction in comprehensive tax reform to ensure smaller-medium-sized companies can invest and compete.

AED is the international trade association representing companies involved in the sale, rental, and servicing of construction, mining, farm, energy, forestry and industrial equipment. Our more than 500 member companies, which are predominantly small-medium-sized, family-owned businesses, have over 3,000 locations throughout North America, employing 40,000 people and accounting for $15 billion in annual sales of construction equipment and related supplies.

While we strongly support efforts to simplify and restore long-term certainty to the nation's tax laws while creating economic growth, we are very concerned that Congress will eliminate the business interest deduction. Preventing companies from deducting business interest (or even restricting it to select companies based on size or revenue) will have a significant negative impact on capital intensive industries, such as construction equipment distributors.

Credit is the lifeblood of the equipment industry. It makes it easier for contractors and others to buy equipment and for AED members to finance their rental fleets. Construction equipment is costly and our members and their customers borrow heavily to finance equipment acquisition. For purposes of illustration, our most recent member tax survey projects the total acquisition value of AED members' rental fleets at $17.242 billion and estimates the total amount of business interest deducted by AED members in 2015 to finance their fleets and other business activities was $392.923 million.

Consequently, eliminating or limiting business interest deductions would increase real borrowing costs for equipment distributors and other capital-intensive industries while reducing investment and risk-taking. It would also make it difficult for new start-ups and smaller companies to compete with large, entrenched players in many economic sectors since debt financing is how small businesses often survive and operate.

Even if Congress provides 100 percent expensing, the business interest deduction is still vital. Businesses with capital structures that require borrowing to finance new investments won't see full benefits of 100 percent expensing (100 percent expensing assumes companies have the cash on-hand without borrowing). Furthermore, many small-medium sized businesses rely on credit to fund new investments or meet operating costs, not solely to purchase assets.

While we oppose efforts to eliminate or limit the business interest deduction, we understand Congress is contemplating an exemption for small businesses**. If Congress does pursue a small business exemption, we strongly urge you to place a reasonable cap on deduction amounts rather than arbitrarily restricting it based on company size or revenues, which could exclude many AED members.** Similar capital investment incentives (such as Sec. 179 expensing) in the tax code are structured with a maximum deduction amount as opposed to the size or revenue of the company.

AED believes encouraging capital investment should be an overarching theme and priority for tax reform and eliminating the business interest deduction is the antithesis of such a goal. Thank you for your time and consideration.

Sincerely,

Brian P. McGuire

Brian P. McGuire
President & CEO

CC: Gary Cohn, Director, National Economic Council
Steven Mnuchin, Secretary, U.S. Department of Treasury