



**National Automobile Dealers Association  
Office of Legislative Affairs**

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April 14, 2015

The Honorable Orrin Hatch  
Chairman, Finance Committee  
United States Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member, Finance Committee  
United States Senate  
Washington, DC 20510

Re: Comments to Individual Income Tax Working Group

Dear Chairman Hatch and Senator Wyden:

The National Automobile Dealers Association (NADA) appreciates the opportunity to provide its perspective on issues of importance to the automobile and truck dealer industry to the Senate Finance Committee's Individual Income Tax Working Group. NADA represents nearly 17,000 franchised new car and truck dealers, employing more than one million Americans. NADA's members sell all makes and models of vehicles, both domestic and international, including medium and heavy-duty trucks. Automobile dealers are a significant tax base for local communities, and the nation as a whole. In 2013, dealers provided \$730.1 billion in sales, and \$53.7 billion in payroll, as well as supporting other local businesses.

The need for comprehensive tax reform: NADA's diverse membership includes dealerships of all sizes, the vast majority of which are family-owned. NADA members operate in every congressional district in the country, and one-third of NADA's members sell fewer than 200 new vehicles per year. These dealers operate in a variety of entity forms, including sole proprietorships, partnerships, limited liability companies and subchapter S corporations, as well as some traditional C corporations. Therefore, NADA is concerned that tax reform should not be focused on a significant reduction in the corporate tax rate without providing, or at the expense of, tax relief to entities that operate in non-corporate form and pay taxes at individual tax rates. Any effort to reform only the corporate tax code could have a detrimental effect on small businesses, such as automobile dealerships that operate as "pass-through" businesses and pay taxes at individual income tax rates. These businesses could lose the benefit of critical tax preferences (i.e. deductions, credits and exclusions) and gain none of the benefits of a lower corporate tax rate.

As the Tax Reform Working Groups and the Finance Committee as a whole pursue tax reform, NADA urges a comprehensive approach that addresses both the individual tax code and the corporate tax code to promote fairness in the treatment of all businesses, regardless of their entity form. In this regard, NADA applauds Chairman Hatch for calling for "a comprehensive approach that fixes the tax code for individuals and families as well as corporations and small businesses" and for working through regular order to pass tax reform legislation.

Estate Tax Relief: The estate tax is a critical issue for automobile and truck dealerships, as it directly impacts the ability for these dealerships to be passed down from generation to generation. A significant

number of dealerships are multi-generational, and many dealers intend to pass on their stores to the next generation.

In January 2013, Congress passed an estate tax regime of a 40 percent rate and a \$5 million exemption indexed for inflation. This legislation also preserved crucial estate planning techniques, such as stepped-up basis and spousal transfer of unused exemption amounts, which NADA strongly supports. Estate tax proposals, such as the one included in President Obama's 2016 budget that would reduce the estate tax exemption to \$3.5 million and increase the top rate to 45 percent, would be extremely harmful to many dealerships that have spent decades building their companies and are second- or third-generation businesses. The President's proposal would reduce the likelihood for these small businesses to be passed on to the next generation. In addition, dealership assets, such as land and single-use showroom facilities, cannot be liquidated to pay the tax without destroying the viability of the business. Repealing stepped-up basis, also proposed in the President's proposal, would effectively create a second tax at death in addition to the estate tax. These proposals would take a major step backwards in the decades-long movement to provide estate tax relief to family-owned dealerships and other small businesses. NADA urges the Committee to instead build on the bipartisan progress made in recent years to repeal the estate tax.

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NADA appreciates the opportunity to comment on tax issues of importance to America's franchised new automobile dealers. If you have further questions, please have your staff contact Kathy Mason, Director of Legislative Affairs, at 202 547-5500 or at [kmason@nada.org](mailto:kmason@nada.org).

Respectfully submitted,



Ivette E. Rivera  
Vice President of Legislative Affairs

cc: The Honorable Charles Grassley  
The Honorable Michael Enzi  
The Honorable Debbie Stabenow