

November 17, 2010

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John Boehner
House Republican Leader
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Harry Reid
Senate Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Senate Republican Leader
U.S. Senate
Washington, D.C. 20510

EQUIPMENT INDUSTRY URGES ACTION ON KEY TAX PROVISIONS TO SUPPORT ECONOMIC RECOVERY

Dear Speaker Pelosi and Leaders Reid, Boehner, and McConnell:

In the final days of the 111th Congress, we urge you to work in bipartisan manner to lay a solid foundation for America's continued economic recovery next year. The undersigned trade associations, representing companies that manufacture, sell, rent, and service construction and farm machinery, ask that you act before the end of the year on the tax proposals outlined below.

In addition to helping the overall economy, these provisions will improve economic conditions in the construction equipment sector, which has lost 37 percent of its workforce and seen a 50 percent drop in sales since 2007. They will also help ensure the continued health of agricultural equipment manufacturers, distributors, and customers.

- **Prevent 2001 and 2003 tax cuts from expiring.** Allowing the 2001 and 2003 tax cuts to expire at the end of the year will undermine economic recovery, choke off job creation, and take productive capital out of the hands of the individuals and small businesses. Congress should extend the 2001 and 2003 tax cuts to restore certainty for all taxpayers.
- **Permanently resolve the uncertainty surrounding the estate tax.** Unless Congress acts by the end of the year, the estate tax will return at the prohibitive 55 percent top rate in 2011 with a \$1

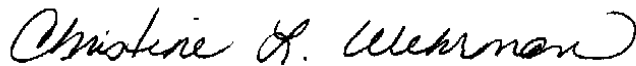
million exemption. For the capital-intensive, family business-dominated equipment industry, the

estate tax is a perfect storm. It forces the diversion of limited financial resources to estate planning and life insurance. In the worst case scenario, family companies must sell off productive assets to pay the tax. Congress should permanently resolve the uncertainty surrounding the estate tax and remove this sword of Damocles hanging over the heads of America's job creators.

- **Repeal the government contractor withholding tax.** Sec. 511 of the Tax Increase Prevention and Reconciliation Act (TIPRA) (PL 109-222) created a three percent government contractor withholding tax that will go into effect in 2012. The withholding tax will hurt the cash flow of small companies and individuals doing business with local, state, and federal entities and drive up contract administration costs at a time when state and local budgets are already under enormous pressure. Congress should prevent this wasteful and unnecessary diversion of resources by fully repealing of the government contractor withholding tax law.
- **Renew five-year depreciation for agricultural equipment.** In 2008, Congress aligned the depreciation schedule for farm equipment with that for construction equipment, shortening it to five years. However, the farm equipment depreciation law expires at the end of 2010. Making five-year agricultural machinery depreciation permanent will encourage farmers to invest in newer, more efficient, more environmentally-friendly equipment.

Our organizations and members look forward to working with you on these and other tax policy provisions that will restore certainty to the tax code, spur economic growth, and get people back to work again. Thank you for your consideration.

Sincerely,



Christine Wehrman
Executive Vice President & CEO
American Rental Association



J. Toby Mack
President & CEO
Associated Equipment Distributors



Dennis Slater
President
Association of Equipment Manufacturers



Vernon Schmidt
Executive Vice President
Farm Equipment Manufacturers Association



Paul Kindinger
President & CEO
North American Equipment Dealers Association

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Equipment Industry Tax Policy Priorities
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cc: Members of the U.S. House and Senate