

March 2, 2017



The Honorable Kevin Brady
Chairman, Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal
Ranking Member, Committee on Ways and Means
1139E Longworth House Office Building
Washington, DC 20515



The Honorable Orrin Hatch
Chairman, Committee on Finance
U.S. Senate
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member, Committee on Finance
U.S. Senate
219 Dirksen Senate Office Building
Washington, DC 20510



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

We write to express our concern about potential changes to the tax code that will directly impact Minority and lesbian, gay, bisexual and transgender (LGBT)- owned businesses. Any changes limiting the full deductibility of advertising will have a significant negative effect on our small business owners, and additionally harm consumers.

The National Gay and Lesbian Chamber of Commerce (NGLCC) is the business voice of the LGBT community and is the largest global not-for-profit advocacy organization dedicated to expanding economic opportunities and advancements for LGBT people.¹ The US Black Chambers (USBC) represent issues that greatly impact the growth of Black-owned businesses in America and has as its



¹ There is an estimated 1.4 million LGBT businesses in the U.S., with an estimated total annual earnings (counting only LGBT certified business owners) of approximately \$1.15 billion, http://nglcc.org/sites/default/files/NGLCC_Report_Download.pdf.

foundation, the key pillars of advocacy, access to capital, contracting, entrepreneur training, and individual chamber development.² The US Hispanic Chamber of Commerce (USHCC) has as its mission to foster Hispanic economic development, and actively promotes economic growth and development of Hispanic entrepreneurs.³ The US Pan Asian American Chamber of Commerce (USPAACC) is the oldest and largest organization representing Asian American and Asian American related groups in business, sciences, the arts, sports, education, public and community services.⁴

We support your efforts to grow the economy through comprehensive tax reform, and hope that your policies strive to address the decline in the rate of small business creation witnessed in the last three decades.⁵ While minority-owned businesses have demonstrated a noticeable exception to this trend, more work can still be done.⁶

Growth of Minority and LGBT-owned businesses is often directly tied to the companies' ability to reach and develop a customer base through advertising and marketing. According to the Small Business Administration, while advertising is not a panacea for business success, when done correctly businesses can achieve more revenue, business stability, and growth.⁷ Growth of small business, which accounts for 99.7 percent of all U.S. businesses and 48 percent of all U.S. employees, is a major driver of local economic growth.⁸ Maintaining the existing, full, first-year deduction for advertising costs is essential to small business success, their ability to reach consumers representing their communities, and consumers at large.

Moreover, any change in the deduction directly impacts Minority and LGBT-owned newspapers, magazines, radio and television. These media often serve specific local interests and concerns, and are highly dependent on advertising revenue to survive and grow. Minority and LGBT-owned media is already underrepresented and at risk – a change in our ability to attract new consumers with community-specific targeting and

² USBC related businesses represent 150.2 billion in combined gross receipts, http://www.mbd.gov/sites/default/files/2012SBO_MBEFactSheet020216.pdf.

³ USHCC related businesses contribute \$668 billion to the economy annually, <http://ushcc.com/about/>.

⁴ USPAACC related businesses represent \$707.6 Billion in gross receipts (includes East, South and Southeast Asian Americans and Pacific Islanders), http://www.mbd.gov/sites/default/files/2012SBO_MBEFactSheet020216.pdf.

⁵ "For the last three decades, the rate of new business creation has been on a steady decline in the U.S., according to various researchers" (noting various factors including population shifts in various parts of the country and global economic turmoil earlier in current century), <http://fortune.com/2016/08/03/african-american-startups/>.

⁶ See <http://fortune.com/2016/08/03/african-american-startups>, as shown from the Kauffman Foundation 2015 startup index, "new business owners are now 40% Asian, African American, and Latino, compared to 23% two decades ago."

⁷ <https://www.sba.gov/managing-business/running-business/marketing/advertising-basics>.

⁸ https://www.sba.gov/sites/default/files/advocacy/United_States.pdf.

promotion could have an irreversible effect on owners' ability to provide needed information to consumers of the goods and services available.

For nearly 100 years, Congress has provided for the deductibility of advertising, as any other normal operating business expense, allowing businesses to deduct these costs in the year in which they are incurred. We urge you to retain the advertising deduction and not levy a new tax on one of the most valuable industries contributing to the American economy.

Sincerely,

Justin G. Nelson
Co-Founder & President
National Gay & Lesbian Chamber of Commerce

Ron Busby
President & CEO
US Black Chambers, Inc.

Javier Palomarez
President & CEO
US Hispanic Chamber of Commerce

Susan Au Allen, Esq.
National President & CEO
US Pan Asian American
Chamber of Commerce