

112TH CONGRESS  
1ST SESSION

# S. RES. 88

Expressing the sense of the Senate that businesses of the United States should retain the option to organize as those businesses choose, including as flow-through entities, and not be forced to reorganize as C corporations.

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IN THE SENATE OF THE UNITED STATES

MARCH 3, 2011

Ms. SNOWE submitted the following resolution; which was referred to the  
Committee on Finance

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## RESOLUTION

Expressing the sense of the Senate that businesses of the United States should retain the option to organize as those businesses choose, including as flow-through entities, and not be forced to reorganize as C corporations.

Whereas the tremendous growth in businesses organized as flow-through entities, including S corporations, has resulted in the number of flow-through entities far exceeding the number of C corporations;

Whereas there are more than 26,000,000 businesses operating as flow-through entities in the United States, representing 82 percent of all United States businesses, relative to just 5,900,000 C corporations;

Whereas these flow-through and small businesses create 70 percent of all new jobs and are responsible for 44 percent of the total private payroll in the United States;

Whereas under the Internal Revenue Code of 1986 as in effect in March 2011, these job-generating businesses are taxed at individual tax rates based on the individual income of the business owners, making these businesses highly sensitive to changes in individual tax rates;

Whereas as of March 2011, 50 percent of all income above \$250,000 is attributable to flow-through businesses;

Whereas, if individual tax rates increase after 2012 in accordance with the proposals set forth by the President, flow-through businesses will face a massive aggregate tax increase, potentially in excess of \$800,000,000,000;

Whereas the Secretary of the Treasury has proposed forcing flow-through entities to reorganize as C corporations to make them subject to double taxation as a way to impose more taxes on these businesses in order to pay for the budgetary policies of the President; and

Whereas forcing corporate reorganizations for purely tax-driven reasons represents a misguided incentive, a misallocation of precious business resources, and a serious threat to job creation: Now, therefore, be it

1       *Resolved*, That it is the sense of the Senate that—

2               (1) the Federal Government should preserve the  
3       organizational options available for businesses to op-  
4       erate as the businesses choose, including as flow-  
5       through entities;

1           (2) raising taxes on businesses that create jobs  
2 will be detrimental to the economic recovery of the  
3 United States;

4           (3) generating increased tax revenue on the  
5 backs of the small businesses of the United States  
6 is inconsistent with, and will impede, job creation;  
7 and

8           (4) any legislative approach to comprehensive  
9 fundamental tax reform should include a debate on  
10 the individual rates at which most businesses in the  
11 United States should be taxed, rather than narrowly  
12 focusing on corporate tax rates or forcing small  
13 business owners into corporate status for tax pur-  
14 poses.

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