

June 30, 2016  
U.S. Department of the Treasury  
1500 Pennsylvania Ave NW  
Washington, DC 20220

*RE: Inversions and Related Transactions (REG-135734-14)*

Dear Secretary Lew:

As a leading representative of the nation's 28 million small business owners, Small Business Majority is writing to comment on the U.S. Department of the Treasury's proposed rule on Inversions and Related Transactions, also known as the "serial inverter" rule. By curtailing inversions, the serial inverter rule will help address tax inequities between small and large businesses to level the playing field for entrepreneurs.

Inversions occur when U.S. corporations use legal accounting maneuvers to create offshore tax havens, which allow them to avoid an estimated \$90 billion in federal income taxes each year. This avoidance leaves small business owners holding the bill for local resources like roads, schools and police. In fact, offshore tax havens cost the average U.S. small business [\\$3,244 per year](#). For small businesses that operate on limited capital and resources, this extra tax burden is significant.

Additionally, research shows small businesses strongly oppose tax inversions. Small Business Majority's [polling](#) of a random sample of entrepreneurs across the country found 75 percent believe their small business is harmed when big corporations use loopholes to avoid taxes, and 90 percent believe big corporations use loopholes to avoid taxes that small businesses have to pay. What's more, the polling found nine in 10 owners say the practice of U.S. multinational corporations using accounting loopholes to shift their U.S. profits to offshore subsidiaries to avoid taxes is a problem, and they support eliminating these tax breaks and providing incentives to bring production home.

The serial inverter rule would help address this by disregarding the past three years of mergers with U.S. corporations and foreign companies in determining the size of the foreign company. By removing the value of U.S. assets a foreign company had acquired, the foreign company will become smaller in relation to the U.S. company. This would reduce the number of companies that can arrange ownership percentages to legally pay foreign tax rates instead of U.S. taxes, thereby reducing tax avoidance through inversions.

We need smart reform on tax inversions to protect small businesses and level the playing field. The proposed serial inverter rule is a good start to these protections, and we fully support its implementation. Small businesses can't afford to continue footing the bill while big businesses avoid paying their fair share.

Sincerely,



Rhett Buttle, President & Managing Director  
Small Business Majority