



**STATE OF NEW HAMPSHIRE**  
**OFFICE OF THE GOVERNOR**

**CHRISTOPHER T. SUNUNU**  
Governor

September 5, 2017

Senator Jeanne Shaheen  
United States Senate  
506 Hart Senate Office Building  
Washington, DC 20510

Senator Maggie Hassan  
United States Senate  
330 Hart Senate Office Building  
Washington, DC 20510

Congresswoman Carol Shea-Porter  
U.S. House of Representatives  
1530 Longworth House Office Building  
Washington, DC 20515

Congresswoman Ann McLane Kuster  
U.S. House of Representatives  
137 Cannon House Office Building  
Washington, DC 20515

Dear members of New Hampshire's Congressional delegation,

I am writing today to express the critical need for federal tax reform that would substantially benefit New Hampshire's economy and ease the compliance costs to our constituents. Our current tax code is overly burdensome, discourages economic growth and has lost the confidence of New Hampshire's residents and employers. Federal tax reform would also enhance our state's economy more than others and help make the Granite State more competitive.

As you know, more so than most states, the backbone of New Hampshire's economy is built around small business. Unfortunately, our current corporate tax code is driven by the needs of big businesses, and those are the ones who successfully change tax policy to reduce their liability. Just since 2001, there have been over 5,900 changes to the tax code, many done for the purpose of providing carve-outs and other benefits to large corporations.

Setting tax policy this way creates flawed incentives and utilizes the tax code to pick winners and losers. Currently, it makes as much sense for large businesses and trade groups to seek special treatment under the tax code as it does to focus on innovation and improving the value they provide their customers and, in the process, improving their profitability. At the same time, to support these tax expenditures, the federal corporate tax is much higher than necessary – at 35%, it is the highest tax rate in the developed world.

While large businesses pay a substantially lower rate through the various avoidance strategies in the federal tax code, small businesses fair substantially worse. This is particularly true for S corporations, which pay corporate tax at the individual rate, which means that many New Hampshire small businesses pay a crushing 39.6%. This stifles job growth, innovation, and overall competitiveness, not only through the lack of access to capital but also due to the opportunity costs of dealing with such a high marginal rate.

At the same time, compliance costs for New Hampshire residents and businesses are extraordinary. This leaves our constituents frustrated and, often, poorer. The average cost nationally for tax preparation for individuals is \$243, while many spend countless hours filing out forms. Between the benefits to large

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businesses and the exasperation due to compliance, it's no wonder many of our citizens believe the tax code is rigged against them.

A stronger economy means higher wages for New Hampshire residents, more opportunity for those in need to enter the workforce and the chance for the over 100,000 of our constituents who work in other states to find good, high-paying jobs here. That's something that each of us promised when we sought office. It's now time to deliver on our commitment.

For these reasons, it is vital the Congress move forward on significant, comprehensive tax reform immediately. We are working vigilantly in New Hampshire to ease the burden of taxes at the state level; it's time for the federal government to do the same.

A successful tax reform plan would, first and foremost, simplify the tax code, with lower rates, fewer brackets and a smaller number of deductions and exemptions. This would dramatically reduce compliance costs and give individuals and companies an incentive to become more productive.

Additionally, federal tax reform should result in a system that is fundamentally fair, with the elimination of special interest carve-outs, loopholes and tax credits that will exceed over \$1.5 trillion in 2017 alone. Granite Staters believe the system is manipulated against them precisely because that is exactly what is happening in Washington now. Ending these handouts will not only allow for lower rates but will help to grow confidence in our government.

Specific to New Hampshire, tax reform should look to reduce the corporate rate for small business, while working to treat all corporate income at this low rate, including S corporations. This would particularly benefit New Hampshire, given the nature of our economy.

Finally, tax reform should end the notion that the federal government should pick winners and losers through tax policy. Tax reform should be about fairness, not using the tax code as a tool to benefit certain favored interests or a weapon to punish other groups. The past practice of this has eroded public confidence in Congress and reversing this is critical to growing credibility.

I appreciate your consideration. New Hampshire needs its delegation to be part of the solution to fixing a broken tax code. Now is the time to make this a reality.

Sincerely,



Christopher T. Sununu  
Governor