

# LAWRENCE S. FOSS

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PRESIDENT'S ADVISORY  
PANEL  
ON FEDERAL TAX REFORM  
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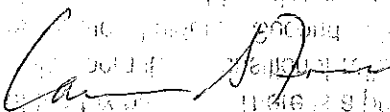
Honorable Connie Mack  
President's Advisory Panel on Federal Tax Reform  
1440 New York Avenue NW, Suite 2100  
Washington, DC 20220

Dear Senator Mack:

In connection with your study of Federal Tax reform I suggest that you consider two areas that are extremely unfair and burdensome to small business. First, the built-in gains tax imposed on certain small corporations is both unfair (double taxation) and inefficient in economic terms (resources that are better used elsewhere are stagnant because of the tax burden). There is a precedent for repeal of this tax contained in the Tax Reform Act of 1986 section 633 which permitted transitional relief to corporations having value not in excess of \$10million and owned by ten or fewer stockholders. Second is the 10 year waiting period imposed upon "C" corporations electing "S" corporation status where built-in gains are present. A 10 year waiting period for almost any tax law provision is unreasonable and economically inefficient. The waiting period artificially encourages taxpayers to hold assets that might be better used in other economic activities. Also, repeal of the 10 year waiting period would most likely result in an increase in tax revenue since the removal of the double tax burden would encourage the sale of assets, the after tax proceeds of which could be invested in endeavors carrying a better return on investment and consequently increased tax revenue from this investment income.

Thank you for your attention. I will continue to write to you as further ideas for tax reform occur to me.

Sincerely,



LAWRENCE S. FOSS, CPA



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