



July 21, 2015

The Honorable David Vitter  
Chairman  
Senate Small Business and Entrepreneurship Committee  
428-A Russell Senate Office Building  
Washington, D.C. 20510

Dear Chairman Vitter,

On behalf of the Small Business Investor Alliance (SBIA), the premier organization of lower middle market private equity funds and investors, thank you for introducing the Small Business Tax Compliance Relief Act, a bill to update key provisions of the 1202 capital gains tax exclusion for investments in qualified small business stock.

As Chairman of the Senate Small Business and Entrepreneurship Committee, we appreciate your hard work to find new ways to increase investment in small business. The 1202 qualified small business stock tax provision encourages small business investors to make long term capital investments in small businesses. Modernization of this tax provision will increase opportunities for small businesses to attract capital. SBIA supports several reforms to the provision to make it more useful, and your legislation would make two of these changes.

The legislation shortens the holding period for qualified small business stock from five to three years. Reducing the holding period reflects current market conditions as the exit period for many investments is shorter than five years. The legislation also extends the capital gains rollover period in which an investor can reinvest any proceeds from the sale of qualified small business stock in another qualified small business stock. Increasing the rollover period from 60 days to one year will encourage repeat investors to invest in more than one qualified small business.

Beyond this legislation, SBIA also supports making the 1202 provision permanent, clarifying that other business structures (such as partnerships, S-corps, and LLCs) are eligible small business investments, increasing the dollar amount of the definition of qualified small business from \$50 million to \$75 million, and clarifying that stock can include stock acquired

upon the issuance of warrants. Making these additional changes would further enhance the 1202 qualified small business provision.

Thank you again for introducing legislation to make important changes to small business tax provisions. We look forward to working with you on this issue.

Sincerely,



Brett Palmer

President

Small Business Investor Alliance