



National Grocers Association

November 8, 2017

Dear Member of Congress:

The National Grocers Association (NGA) is the national trade association representing the retail and wholesale grocers that comprise the independent sector of the food distribution industry. NGA and the undersigned member companies and state associations commend you for your leadership in advancing comprehensive tax reform legislation. We have a unique opportunity to improve our tax code to help Main Street business grow and create American jobs.

We are concerned, however, with how H.R. 1, the Tax Cuts and Jobs Act, treats pass-through entities. Approximately half of NGA's member retailers operate as pass-throughs. These companies, many of whom are family-owned supermarkets, are an engine of economic growth in their communities. Tax reform legislation that fails to achieve rate parity between these important American companies and their corporate competitors would harm competition and drive additional consolidation in an industry that has become increasingly concentrated.

NGA's pass-through member companies would either not experience the full benefits of tax reform, or even face higher taxes, under a framework that reduces tax incentives while only reducing rates for 30 percent of business income. To ensure the pass-through business rate is successful we recommend Congress consider replacing the 70/30 test with an enforcement provision that takes into account an owner's investment in employees and capital when distinguishing an owner's wages from profits. The higher the owner's level of investment in workers and capital, the more profits they should be able to claim so they can continue to reinvest in their business.

America's pass-through independent supermarkets are a large and vital part of the economy and the new lower business tax rate needs to reflect their importance by being broadly applied and effectively enforced. We urge Congress to support reforms that create a more level playing field for Main Street supermarkets so they can grow their businesses and create local jobs.

Independent supermarkets are driving innovation in the marketplace. From implementing e-commerce strategies to developing new formats that enhance the customer experience, independent grocers are truly leading the way. We know tax reform can help these entrepreneurs to continue to invest in their companies, employees, and communities. We look forward to working with you and your colleagues to grow this important sector of the economy. If you have any questions, please contact NGA's Vice President of Government Relations & Counsel, Chris Jones, at cjones@nationalgrocers.org.

Sincerely,

National Grocers Association

Alabama Grocers Association
America's Food Basket, Inc.
Arizona Food Marketing Alliance
Arkansas Grocers & Retail Merchants Association
Associated Food Stores, Inc.
Associated Wholesale Grocers, Inc.
B. Green & Company, Inc.
Big Top Market
Boyer's Food Market, Inc
Brackett's Market
Brookshire Grocery Company
Busch's, Inc.
Clayton Ranch Market
Coborn's Inc.
Colerain IGA
Columbiana Foods, Inc.
Connecticut Food Association
Cranford Fresh World
Delaware Supermarkets, Inc.
Dierbergs Markets, Inc.
Doc's Food Stores, Inc
Fausto's Food Palace, LLC
Felicity IGA Market
Florida Grocers Association
Forster & Howell Inc
G & J Brooks Ent., Inc.
Geissler's Supermarket
Geyer's Markets, Inc.
Gongco Foods
Grays Foods Inc
Grolmus Enterprises, Inc
Hawaii Food Industry Association
Harps Food, Inc.
Henderson IGA Market
Hugo's Family Marketplace
Illinois Food Retailers Association
Indiana Grocery Group
Iowa Grocery Industry Association
Janssen's Market, LLC
Kaune's Neighborhood Market
K.M. Supermarkets, Inc.
Keith's Foods, Inc.

Kennies Markets Inc
Kessler's, Inc.
K-VA-T Food Stores, Inc
Laperle IGA
Lawrence Brothers Supermarkets
Louisiana Retailers Association
Lowe's Markets
Maryland Retailers Association
Merchants Distributors
Michigan Grocers Association
Minnesota Grocers Association
Mt. Plymouth IGA Express
New Jersey Food Council
Newport Ave Market
Niemann Foods, Inc.
North Dakota Grocers Association
Nugget Market
Nutricion Fundamental, Inc.
Pennsylvania Food Merchant Association
Perlmart Inc.
R & S Supermarket, LLC
Ragland Bros Retail Co's, Inc.
Reid's Markets, Inc.
Reje Universal Supermarket
Ried's Markets, Inc.
Rightway, Inc.
Rouses Enterprises, LLC
Sedanos Management, Inc.
Sendik's Food Market
Shop Rite of Hunterdon County, Inc.
ShopRite Supermarkets, Inc.
Texas Retailers Association
Tom's Food Center
URM Stores
Utah Food Industry Association
Utah Retail Merchants Association
Vallarta Supermarkets
Vowell Marketplace IGA
Wade's Food Center, Inc.
Wakefern Food Corp
Walla Walla's Harvest Foods
Wingert's, Inc
Wright's Markets, Inc.