

December 18, 2019

The Honorable Richie Neal
Chairman
House Committee on Ways and Means
Washington, DC 20515

The Honorable Chuck Grassley
Chairman
Senate Committee on Finance
Washington, DC 20510

The Honorable Kevin Brady
Ranking Member
House Committee on Ways and Means
Washington, DC 20515

The Honorable Ron Wyden
Ranking Member
Senate Committee on Finance
Washington, DC 20510

Dear Chairman Neal, Chairman Grassley, Ranking Member Brady, and Ranking Member Wyden:

The Tax Cuts and Jobs Act (TCJA) created § 199A, a 20% deduction on “qualified business income” for owners/shareholders of pass-through businesses, such as S corporations, partnerships, and sole proprietorships. However, owners and shareholders of certain types of businesses – the “specified service trades or businesses” – are limited in their ability to apply the 20% deduction if their overall taxable income exceeds certain thresholds. Unfortunately, financial advisors, financial planners and investment advisers currently fall under this definition.

We believe it is sound policy to allow these hard-working business owners to fully benefit from this new deduction in whole. We urge Congress to resolve via clarifying legislation that financial services professionals such as broker-dealers, financial planners, and investment advisers shall qualify as “qualified trades or businesses” and shall not be considered “specified service trades or businesses” under new Internal Revenue Code (IRC) §199A.

The current statutory language unfairly and unintentionally disadvantages financial advisors, financial planners and investment advisers and diminishes their ability to invest in and build their businesses. They employ thousands of individuals across the United States and are community leaders, supporting millions of clients. They also provide assistance on a wide range of issues, dealing with challenges such as how to create a savings plan, and how to plan for family transitions.

Right now, real estate brokers and insurance brokers are able to enjoy the benefit of the 20% pass-through deduction. While we recognize that financial advisors, financial planners and investment advisers are regulated differently than real estate and insurance, as small business owners, they face the same burdens and challenges. Congress should not pick winners and losers.

In addition to being drivers of the economy, financial advisors, financial planners and investment advisers are a vital solution to the retirement savings crisis that America is facing. Therefore, we urge Congress to approve clarifying legislation to confirm that they shall not be considered “specified service trades or businesses.”

Thank you for your attention to this important issue. We look forward to continuing to work with you and serve as a resource on this significant issue. Please do not hesitate to contact us if we can provide further information.

Sincerely,

Cetera Financial Group

Commonwealth Financial Network

Financial Planning Association

Financial Services Institute

Investment Adviser Association

LPL Financial

National Association of Personal Financial Advisors

Raymond James