

January 14, 2025

The Honorable Jason Smith
Chairman
House Committee on Ways and Means
Washington, DC 20515

The Honorable Mike Crapo
Chairman
Senate Committee on Finance
Washington, DC 20510

The Honorable Richie Neal
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 Smith, Chairman Crapo, Ranking Member Neal, and Ranking Member Wyden:

We are writing to share our support for the extension of Section 199A and to ask that it be expanded to remove the “specified service trades or business” (SSTB) designation that limits the ability of certain independent financial services professionals to fully benefit from the deduction.

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. Congress intended for all small businesses to benefit from the deduction to promote economic growth across the country. However, guidance from the Department of Treasury on §199A-5 limits owners and shareholders of SSTBs from taking advantage of the 20% deduction if their overall taxable income exceeds certain thresholds. Unfortunately, financial professionals, financial planners, investment advisers, and retirement planners currently fall under this definition.

We believe it would be sound public policy and beneficial to the American economy to allow all eligible hard-working small business owners to fully benefit from this deduction in whole. Accordingly, we urge Congress to not only extend Section 199A but also to include a provision that would allow all independent financial services professionals to benefit from the deduction. This provision would clarify that the SSTB designations of “financial services,” “brokerage services,” “investing and investment management,” “trading,” and “dealing in securities” do not apply to independent financial services professionals providing advice to retail investors.

This clarification would provide parity between financial services professionals and insurance brokers. Currently, insurance brokers can enjoy the benefit of the 20% pass-through deduction regardless of income because of an exemption under the definition of “brokerage services” (§199A-5(2)(x)). We believe that this disparity is clearly unfair because financial services professionals and insurance brokers, although providing similar products and services to retail clients, face the same financial and regulatory burdens and challenges that all small business owners must deal with.

In addition to being drivers of the economy, financial advisors, financial planners, investment advisers, and retirement planners are a vital solution to the retirement savings crisis that America currently faces. They may be local entrepreneurs who choose to do business through independent contractor relationships with affiliated national broker-dealer firms. They act as local providers of financial advice, working with retail investors to build savings and prepare

for retirement. Many of those eligible to take advantage of the deduction have reported using the tax savings to reinvest in their businesses by hiring more employees, providing additional worker benefits and upgrading technology to better serve clients.

We urge Congress to extend Section 199A and expand its applicability to additional hardworking small business owners by clarifying that all independent financial services professionals shall be categorized as qualified trades or businesses rather than as specified service trades or businesses.

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

Sincerely,

The Financial Services Coalition for 199A Fairness

American Securities Association
Cetera Financial Group
CFP Board
Commonwealth Financial Network
Financial Planning Association

Financial Services Institute
Investment Adviser Association
LPL Financial
National Association of Personal Financial Advisors
Raymond James

