



CENTER FOR FREEDOM & PROSPERITY

May 3, 2012

The Honorable John Mica
Chairman
House Transportation & Infrastructure Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Mica:

As you prepare to reconcile the Senate and House versions of the Surface Transportation Reauthorization Bill, I hope to bring to your attention an unrelated tax provision slipped into the Senate version of the bill which provides dangerous new power to the Treasury Department and adds to the already onerous and unnecessary burdens of the Foreign Account Tax Compliance Act (FATCA).

The Levin-Conrad-Whitehouse amendment inserted provisions supposedly to "Stop Tax Haven Abuse," but which would in reality further undermine global capital flows and weaken the American economy. The amendment expands authority granted under the Patriot Act in order to give the Treasury Department unchecked powers to extend U.S. tax law beyond American borders. Treasury officials would be required to spend resources tracking and analyzing all jurisdictions around the world, and the degree to which they bow to U.S. tax dictates. Treasury officials have no special expertise to make such evaluations, and history suggests any national tax blacklist would be arbitrary and discriminatory.

By empowering tax bureaucrats with the authority to determine if a jurisdiction is guilty of the vague crime of "significantly impeding United States tax enforcement," and also granting them authority to impose punitive measures, the legislation further compounds the regulatory and economic mess created by FATCA. At a time when the costs of FATCA to the U.S. economy are still being tallied, it is particularly foolish to double down on such fiscal imperialism. Furthermore, the ongoing difficulty of implementing FATCA, which was similarly slipped into unrelated legislation and not sufficiently vetted by the appropriate committees of jurisdiction, should serve as a warning against allowing the same tactic again.

Adding to the burdens of FATCA will have economic repercussions. Incidences of expatriation, already at record levels, will increase with the new costs of American citizenship, resulting in both a loss of talent and tax revenues. The provisions will also likely result in further disinvestment from the U.S. economy, limiting the availability of capital which serves as the lifeblood of economic growth.

For the above reasons, added to the simple fact that the transportation bill should be limited to dealing with issues actually related to transportation, I trust that you will ensure this provision does not make it out of conference.

Sincerely,

Andrew F. Quinlan
President, Center for Freedom & Prosperity