

Congress of the United States
Washington, DC 20515

March 2, 2011

The President
The White House
Washington, D.C. 20500

Dear Mr. President,

America's financial institutions benefit greatly from deposits of foreigners in U.S. banks. These deposits help finance jobs and generated economic growth mainly benefiting local communities, consumers, families, and small businesses. For more than 90 years, the United States has recognized the importance of foreign deposits and has refrained from taxing the interest earned by them or requiring their reporting.

Unfortunately, a rule proposed by the Internal Revenue Service (REG-146097-09) would overturn this practice and would likely result in the flight of hundreds of billions of dollars from U.S. financial institutions. This regulation requires the reporting of bank deposit interest paid to foreign account holders so that this information can be made available to the countries of origin of the nonresident alien account holders.

The regulation could drive job-creating capital out of America and harm U.S. financial markets. According to the Commerce Department, foreigners have \$10.6 trillion passively invested in the American economy, including nearly "\$3.6 trillion reported by U.S. banks and securities brokers." In addition, a 2004 study from the Mercatus Center at George Mason University estimated that "a scaled-back version of the rule would drive \$88 billion from American financial institutions," and this version of the regulation will be far more damaging.

Many nonresident alien depositors are from countries with unstable governments or political environments, where personal security is a major concern. They are concerned that their personal bank account information could be leaked by unauthorized persons in their home country governments to criminal or terrorists groups upon receipt from U.S. authorities, which could result in kidnappings or other terrorist actions being taken against them and their family members in their home countries, a scary scenario that is very real.

Mr. President we have several objections to this initiative, and strongly urge you to permanently withdraw the proposed regulation. Specifically:

The regulation will cause serious irreparable harm to the U.S. economy. Because of the privacy laws of the United States, nonresident aliens are estimated to have deposited over \$3 trillion in U.S. financial institutions. Should this regulation be finalized, economic and academic sources indicate that a substantial portion of that capital will be withdrawn from the U.S. economy. During this time of economic concern, we urge that every effort be made to keep capital within the borders of the United States.

The regulation flagrantly violates the intent of Congress. On several occasions, lawmakers have chosen to refrain from taxing the deposit interest paid to nonresident aliens. These actions were made for the explicit purpose of attracting and keeping capital in the U.S. economy. We feel the IRS is abusing its regulatory authority and doing so in a manner that is contrary to Congressional intent and the last ninety years of legislative history.

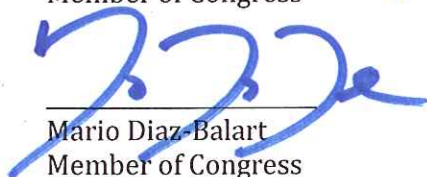
The regulation will weaken the competitiveness of U.S. financial institutions. Should the proposed rule take effect; American companies will lose hundreds of billions of dollars in deposits to institutions in competing jurisdictions that maintain privacy protections. The purported goal of the regulation will not be achieved, but will instead disadvantage American financial institutions and the U.S. economy.

The regulation will negatively affect the solvency of financial institutions. Should this regulation take effect it will have a negative impact on the balance sheets of U.S. financial institutions and the solvency of those that have a high percentage of non-resident alien deposits may erode. At a time when federal policies should be aimed at enhancing solvency, this regulation would undermine that goal. This proposal may be good news for high-tax governments, but it is contrary to American economic interest. The jobs of American workers and the competitiveness of U.S. companies should be our top priorities. This regulation works against both. It will put Americans out of work and it will force dollars out of U.S. financial institutions and into foreign financial institutions.

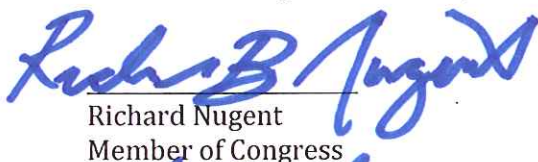
We ask that you withdraw this proposed regulation and send a clear message to existing and potential depositors that the U.S. encourages such deposits and believes America's best interest is served by maintaining current policy.

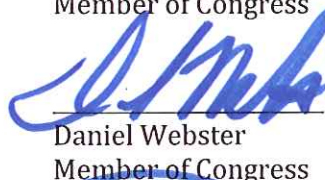
Sincerely,

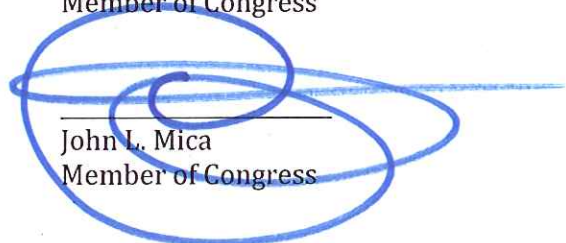

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Member of Congress


Mario Diaz-Balart
Member of Congress

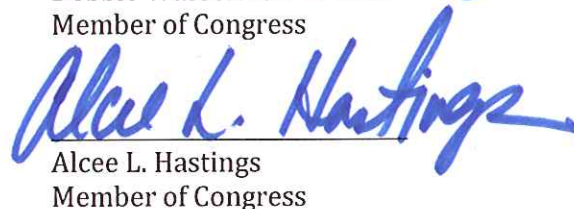

Connie Mack
Member of Congress

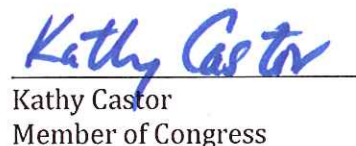

Richard Nugent
Member of Congress


Daniel Webster
Member of Congress

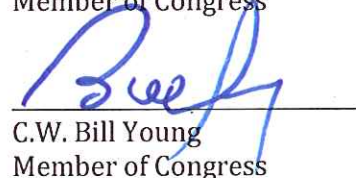

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cc: Timothy Geithner, Secretary
United States Department of Treasury

Douglas H. Shulman, Commissioner
Internal Revenue