

## United States Senate

WASHINGTON, DC 20510

April 4, 2011

COMMITTEES:  
COMMERCE, SCIENCE, AND  
TRANSPORTATION  
FOREIGN RELATIONS  
SELECT COMMITTEE ON INTELLIGENCE  
SMALL BUSINESS AND  
ENTREPRENEURSHIP

The President of the United States  
The White House  
1600 Pennsylvania Ave., N.W.  
Washington, D.C. 20500

Dear Mr. President:

I write to join the entire Florida delegation in the House of Representatives, who recently wrote you, in expressing my strong concerns with the Internal Revenue Service's (IRS) proposed regulation (REG-146097-09) requiring United States banks to report annually the amount of bank deposit interest paid to nonresident aliens.

As you know, in the final days of the Clinton Administration, the IRS proposed a regulation requiring U.S. banks to report deposit interest paid to nonresident aliens. However, due to strong concerns expressed by a variety of stakeholders over the negative effects of the IRS regulation on privacy, capital flows, and broader economic growth, the regulation was withdrawn. A revised, narrower regulation was proposed in 2002 but was not instituted. Unfortunately, the recently-proposed IRS regulation represents a return to the rejected rules of 2001 and 2002, and violates the long-standing intent of Congress not to require the reporting of interest earned by nonresident aliens.

At a time when unemployment remains high and economic growth is lagging, forcing banks to report interest paid to nonresident aliens would encourage the flight of capital overseas to jurisdictions without onerous reporting requirements, place unnecessary burdens on the American economy, put our financial system at a fundamental competitive disadvantage, and would restrict access to capital when our economy can least afford it.

A 2004 study from the Mercatus Center at George Mason University estimated that the less burdensome rule introduced in 2002 would likely have resulted in \$88 billion of capital leaving the United States and flowing to foreign nations, higher interest rates, and increased compliance costs for banks.

I share your stated desire to craft regulations that do not place undue burdens on the economy, and for this reason, I respectfully ask that Regulation 146097-09 be permanently withdrawn from consideration. This regulation would have a highly detrimental effect on our economy at a time when pro-growth measures are sorely needed.

Sincerely,



Senator Marco Rubio