

Congress of the United States
Washington, DC 20515

May 16, 2011

Hon. Timothy F. Geithner
Secretary of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Hon. Doug Shulman
Commissioner, Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

Dear Secretary Geithner and Commissioner Shulman:

We are writing to express our concerns regarding a proposed Internal Revenue Service regulation (REG-146097-09) that would force banks to report the deposit interest paid to nonresident aliens.

This regulation is not needed to enforce American tax law. Indeed, the IRS is using the regulatory process to overturn existing law. For 90 years, Congress has sought to attract foreign capital to the U.S. economy with attractive tax and privacy rules. The IRS now wants to disregard Congressional intent solely for the purpose of providing information to foreign tax authorities.

This misguided proposal would compel U.S. banks to put the interests of foreign tax collectors above U.S. law and before the interests of the American economy. If implemented, this regulation will drive bank deposits directly out of U.S. banks and into financial institutions located in other countries. We believe this will put at risk our fragile economic recovery by driving foreign capital from our shores.


The financial sector would be hit particularly hard by this regulation. Losing hundreds of billions of dollars in deposits to foreign financial institutions would disadvantage both American companies and the U.S. economy and adversely impact the solvency of financial institutions. At a time when federal policy should be enhancing stability and encouraging investment in the U.S., it is irresponsible to bypass Congress with regulations that will undermine both of these goals.

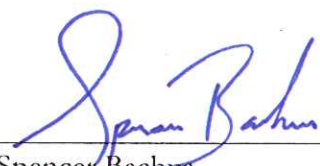
The proposed rule does not collect one dollar in tax revenue owed to the U.S., but puts more than \$10 trillion in passive foreign investment in the U.S. economy at risk. Implementing the proposed regulation will force an exodus of much-needed capital, hamper the resurgence of the U.S. financial sector, harm our fragile economic recovery, and cost American jobs.

We request that you permanently withdraw the proposed rule.

Sincerely,


Bill Posey
Member of Congress


Gregory W. Meeks
Member of Congress



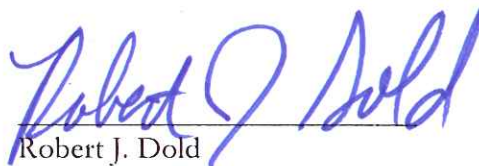
Spencer Bachus
Member of Congress



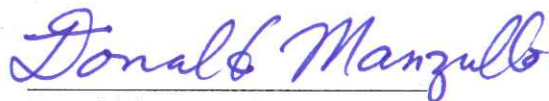
Melvin L. Watt
Member of Congress



Rubén Hinojosa
Member of Congress



Robert J. Dold
Member of Congress



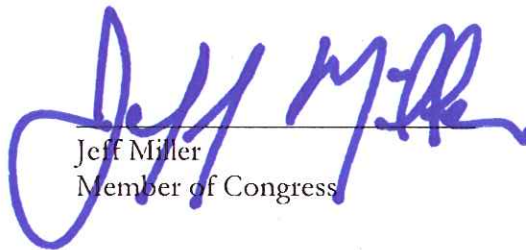
Donald A. Manzullo
Member of Congress




Ron Paul
Member of Congress



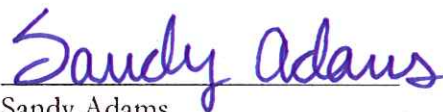
Ileana Ros-Lehtinen
Member of Congress



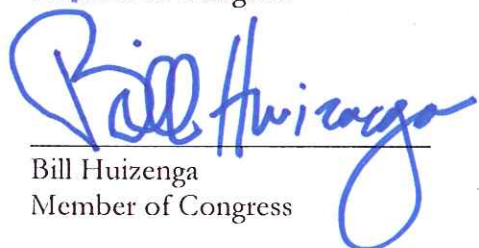
Jeff Miller
Member of Congress



Michael G. Grimm
Member of Congress



Sandy Adams
Member of Congress



Bill Huizenga
Member of Congress



Francisco R. Canseco
Member of Congress



Gus M. Bilirakis
Member of Congress