Coalition For Tax Competition

June 6, 2013

Dear Senator:

We the undersigned organizations are writing to urge your support for S. 887, which would repeal economically destructive and anti-privacy provisions of the Foreign Account Tax Compliance Act (FATCA).

FATCA imposes on foreign financial institutions the obligation to provide financial information on the accounts of U.S. citizens without the need for evidence of tax evasion or other crimes. Institutions that fail to comply with costly reporting requirements are subject to a draconian 30% withholding of U.S.-derived income. In addition to the unjustified and unconstitutional invasion of the privacy of millions of Americans suspected of no wrongdoing, the practical consequences of the law include a growing refusal of many financial institutions to accept American clients or invest in the U.S. economy, the straining of relations between the U.S. and foreign nations whose fiscal sovereignty is being trampled, and an erosion of the separation of powers between the executive and legislative branches.

Although FATCA was proposed for the purpose of combating tax evasion, it is unlikely to achieve its goal. The Joint Committee on Taxation estimated it would raise approximately $800 million per year, which is less than one percent of the $100 billion frequently cited as lost to evasion each year. On the other hand, worldwide compliance costs are widely expected to be well into the billions if not higher. The unilateral imposition of such tremendous costs on foreign institutions which the U.S. government has no moral nor legal authority to regulate has rightfully angered many of our allies in the international community, potentially undermining our ability to secure cooperation in ongoing efforts to thwart the financing of terrorism or the investigation of other national security threats and crimes.

The impact on Americans is equally as negative. Americans living and working overseas are being shunned by financial institutions that don't wish to bear the heavy regulatory costs imposed by Washington, even when they seek nothing more than a place to deposit their paychecks. Onerous and duplicative new personal reporting requirements also promise unreasonable penalties for a minor mistake or oversight.

Even Americans living and banking within the U.S. will not escape the consequences of FATCA. The loss of investment in the U.S. economy as foreign institutions seek to avoid withhold-able income will mean fewer jobs and economic opportunities at home. Promises currently being made by the Treasury Department to provide reciprocal information could also impose significant costs on domestic institutions that will be passed onto consumers.

During FATCA's implementation process, the Treasury Department has made a bad law worse. Without specific authorization from Congress, Treasury has sought to circumvent problems posed by foreign privacy laws through the negotiation of intergovernmental agreements (IGAs) that would obligate foreign governments to collect information from their institutions in order to pass it on to the IRS. The funneling of comprehensive financial information of U.S. citizens through foreign governments is a serious breach of privacy that potentially exposes Americans to identity theft, harassment, and other crimes.

P.O. Box 10882, Alexandria, Virginia 22310 * 202-285-0244 * ctc@freedomandprosperity.org * www.freedomandprosperity.org

The IGA process has also placed unelected bureaucrats in the Treasury Department in the driver's seat of international tax policy. Not only are the Department's promises of reciprocation used to entice foreign governments into signing IGAs inconsistent with a century's worth of Congressional precedence that has sought to make the U.S. economy an attractive destination for foreign capital, but it has also sparked an international rush to replicate and adopt the worst parts of FATCA, thereby creating a domino effect of bad tax policy that will ultimately place equivalent burdens on American institutions as was imposed on the rest of the world.

Ensuring a high rate of compliance is an important goal for any tax system, but it must be weighed against other considerations. In this regard FATCA fails to pass the test of a good law. It is unlikely to impact evasion in a significant way, but engages in fiscal imperialism and imposes high costs both at home and abroad.

A better alternative would be to reform the tax code by eliminating double taxation on savings and investment, lowering rates, and reducing complexity. Not only would these reforms lead to increases in compliance – a measure in which the U.S. already leads the developed world – but it would also grow the economy and enhance the standard of living for all Americans.

For the above reasons, we urge that you support S. 887 and join Sen. Paul in efforts to repeal FATCA. It is an essential first step toward reforming the federal tax code.

Sincerely,

Andrew F. Quinlan ~ President, Center for Freedom and Prosperity
Grover Norquist ~ President, Americans for Tax Reform
Pete Sepp ~ Executive Vice President, National Taxpayers Union
Wayne T. Brough ~ Chief Economist and VP for Research, FreedomWorks
James George Jatras ~ Manager, RepealFATCA.com
Phil Kerpen ~ President, American Commitment
John Berlau ~ Senior Fellow, Competitive Enterprise Institute
Karen Kerrigan ~ President & CEO, Small Business and Entrepreneurship Council
James Valvo ~ Director of Policy, Americans for Prosperity
David Williams ~ President, Taxpayers Protection Alliance
Tom Schatz ~ President, Council for Citizens Against Government Waste
Seton Motley ~ President, Less Government
Lew Uhler ~ President, The National Tax Limitation Committee
Jim Martin ~ Chairman, 60 Plus Association
J. Bradley Jansen ~ Director, Center for Financial Privacy and Human Rights
Tom Giovanetti ~ President, Institute for Policy Innovation
Carrie Lukas ~ Managing Director, Independent Women’s Forum
Jeffrey Mazzella ~ President, Center for Individual Freedom
Charlie Sauer ~ President, Grassroot Voices
Andrew Moylan ~ Senior Fellow, R Street Institute
Palmer Schoening ~ Executive Director, Family Business Coalition
Erika Nolan ~ Executive Director, The Sovereign Society