



CENTER FOR FREEDOM & PROSPERITY

July 18, 2011

The Honorable John Boehner
Speaker of the House
1011 Longworth H.O.B
Washington, DC 20515

The Honorable Harry Reid
Senate Majority Leader
522 Hart Senate Office Building
Washington, DC 20510

Dear Speaker Boehner and Majority Leader Reid:

In light of the recent decision by the Internal Revenue Service, following significant industry backlash over the costs and burdens of the regulation, to delay the implementation of the Foreign Account Tax Compliance Act (FATCA), the Center for Freedom and Prosperity and the Coalition for Tax Competition are renewing the call for Congress to reconsider and repeal the ill-advised legislation.

It has already become clear that the costs of implementing FATCA will be high. Passed in 2010 as part of the Hiring Incentives to Restore Employment Act, FATCA threatens foreign financial institutions (FFIs) with a 30% withholding requirement on U.S. accounts if they don't comply with an onerous new reporting regime. U.S. persons living overseas are experiencing difficulty finding banking options as FFIs facing heavy compliance costs are determining that it will be easier to drop U.S. clients than comply with the law. Much needed investment in the U.S. economy is also threatened as some FFIs divest in U.S. assets to avoid the burdensome law. This means a loss in competitiveness for the U.S. economy and even slower job growth.

As a matter of policy, FATCA fails to measure up on several levels. It is not clear what benefits, if any, will come with its heavy costs. The projected revenue gains are questionable, and may even be offset entirely by the reduced economic activity.

Not only is it bad tax policy, but FATCA also has other serious problems. In many countries, FATCA requirements may violate privacy and confidentiality laws which serve to protect human rights. This is a critical issue for the people around the world who need a refuge from high levels of crime, mismanagement, extortion, and corruption. They are counting on Congress to step up and undo its costly mistake before it is truly too late by immediately repealing the devastating Foreign Account Tax Compliance Act.

Sincerely,

Andrew F. Quinlan
President, Center for Freedom and Prosperity
Director, Coalition for Tax Competition