



CENTER FOR FREEDOM & PROSPERITY

July 18, 2011

The Honorable Timothy Geithner
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Geithner:

The Internal Revenue Service's recent decision to delay the implementation of the Foreign Account Tax Compliance Act (FATCA) stems from significant industry backlash over the costs and burdens of the regulation. In light of these developments, the Center for Freedom and Prosperity and the Coalition for Tax Competition are renewing the call for Treasury to conduct a real cost-benefit analysis to fully understand the implications of FACTA and its impact on the US economy.

It has already become clear that the costs of implementing FATCA will be high. U.S. persons living overseas are experiencing difficulty finding banking options as foreign financial institutions (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. Treasury should take the additional time before FATCA is to be implemented to illuminate this issue with a cost-benefit analysis, so that lawmakers can determine if such legislation should ever be considered again, or if FATCA itself should be outright repealed.

Sincerely,

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