



STATEMENT FOR THE RECORD:

Karen Kerrigan
President & CEO
Small Business & Entrepreneurship Council (SBE Council)

RE: *REG-146097-09: A Proposal to Require Reporting of Deposit Interest Paid to Nonresident Aliens*

DATE: May 18, 2011

BEFORE: The United States Department of Treasury
Internal Revenue Service

Thank you for the opportunity to provide a statement regarding the proposed regulation to require reporting of deposit interest paid to nonresident aliens. My name is Karen Kerrigan, President & CEO of the Small Business & Entrepreneurship Council (SBE Council), a nonpartisan advocacy and research organization dedicated to protecting small business and promoting entrepreneurship.

Over the past fifteen years or more, SBE Council has expressed deep concerns about the proposed reporting regulation in its various incarnations. The regulation continues to be widely criticized, and for good reason:

- It makes no economic sense.
- It would burden financial institutions (particularly small ones) with vast, new compliance costs where there are *no* benefits.
- It has nothing to do with the administration of our nation's tax laws.

- It would drive precious capital from our country.
- It could possibly endanger the well being of foreign individuals who seek the safety and stability of the U.S. banking system to deposit their money.

For these reasons, the regulation has been withdrawn in the past. And for these reason the current proposal should also be withdrawn. The stakes are much higher for our economy and for small business.

Access to operating and growth capital remains a priority issue for many entrepreneurs who are struggling under difficult economic conditions. This means U.S. policies must do more to encourage capital formation, and retain the resources that are already in our nation. The proposed regulation, however, will do just the opposite -- it would drive capital from U.S. banks causing irreparable harm to the economy. Small and community banks that rely on these deposits to stay competitive and healthy will be undermined, and the small business owners who depend upon loans from these banks will suffer.

The economy is struggling to regain footing. Sustained growth is dependent upon a vibrant and job-creating entrepreneurial sector for full recovery. Undermining the availability of capital for small firms, as well as many U.S. financial institutions that rely on foreign deposits is just plain misguided.

The IRS admits that the deposit interest information is not needed to enforce U.S. tax law, yet the regulation would impose vast new costs on financial institutions and our economy. All costs, no benefits.

SBE Council urges the withdrawal of the proposed regulation to require reporting of deposit interest paid to nonresident aliens. No sound rationale exists for moving forward with the proposed regulation, yet it will do great damage to our economy while making the U.S. less competitive and less reliable in the human rights sphere.

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