

Coalition for Tax Competition

August 2, 2012

Dear Senator:

The IRS recently adopted a regulation requiring banks to report on the deposit interest payments made to nonresident aliens. The interest is not taxable under the U.S. tax code, and experts predict it will result in a loss of foreign investment in the U.S. The regulation, which was adopted against the wishes of Congress and without regard for democratic process, will have significant economic impact on the U.S. economy and job creation.

Senator Rubio has introduced S.J. Res. 46, which expresses congressional disapproval of the regulation under chapter 8 of title 5 of the United States Code, and is now circulating a discharge petition to bring the resolution to a floor vote. We urge you to support the petition and give this rule the legislative vetting it never received prior to adoption.

The new rules will take affect January 2013 if Congress does not act to undo the regulation. A study by the Mercatus Center on an earlier, limited version of the rule estimated the U.S. would lose \$88 billion in foreign investment. The former Florida Commissioner of Financial Regulation, Thomas Cardwell, said the rule would “create irreversible damage.” This is why Congress for 90 years has maintained a policy of seeking to attract foreign investment by exempting nonresident alien deposit interest from reporting requirements.

In the course of overruling the intent of Congress to make the U.S. an attractive destination for foreign investment, the IRS also ignored legal requirements to conduct a cost-benefit analysis for economically significant regulations. This is likely due to the fact that there are no direct benefits to which they can point.

At a time when policy makers are looking for ways to encourage job creation in the economy, unelected bureaucrats cannot be allowed to drive out of the country the very investment needed to create jobs. We the undersigned urge you to reaffirm the authority of Congress to set policy and protect the U.S. economy from this misguided rule.

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

R. Bruce Josten ~ Executive Vice President Government Affairs, U.S. Chamber of Commerce

Phil Kerpen ~ President, American Commitment

James L. Martin ~ President, 60 Plus Association
Karen Kerrigan ~ President and CEO, Small Business & Entrepreneurship Council
Tom Schatz ~ President, Council for Citizens Against Government Waste
J. Bradley Jansen ~ Director, Center for Financial Privacy and Human Rights
David Williams ~ President, Taxpayers Protection Alliance
Iain Murray ~ Vice President, Competitive Enterprise Institute
Lew Uhler ~ President, National Tax Limitation Committee
Seton Motley ~ President, Less Government
Palmer Schoening _ President, Schoening Strategies
Erika Nolan ~ Executive Director, The Sovereign Society
Bill Wilson ~ President, Americans for Limited Government
Tom Giovanetti ~ President, Institute for Policy Innovation