

United States Senate

WASHINGTON, DC 20510

September 5, 2003

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

Dear Secretary Snow:

On March 11, 2003, we wrote you to express our opposition to the proposed Internal Revenue Service (IRS) rule that requires U.S. banks to report bank deposit interest paid to non-resident aliens (REG 133254-02). Our opposition to the proposed rule remains strong, and we again urge you to formally withdraw it. We also urge you to instruct the U.S. representative to OECD's Fiscal Affairs Committee, who is from the Treasury Department, to make the U.S. position against this rule clear to other OECD member countries at the next committee meeting on September 16 in Paris.

There are a number of legitimate policy reasons justifying the withdrawal of the rule, including, among others, (1) it will drive foreign investment out of our country and wreak havoc on our budding economic recovery (one economist estimates a loss of \$80 billion annually in foreign investment to our economy), (2) it has no statutory basis in the Congress and, in fact, violates the intent of Congress, which has consistently voted in the past to reject the taxation of interest income on foreign investment or reporting of such income, (3) because a cost-benefit study was never performed on the new rule, it violates the Regulatory Flexibility Act; the "benefits" of the rule are illusory, while the "costs" are enormous to many banks, particularly smaller institutions, which are forced into this extensive reporting role that will not collect any new taxes for the U.S. Each of these reasons is sufficient enough in itself to withdraw the flawed rule.

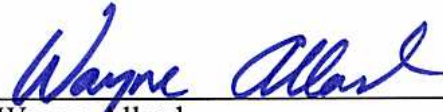
More broadly, we believe the proposed rule will help undermine the lower tax/economic growth policies of President Bush. We have all worked tirelessly together in passing the President's economic growth package, and our message to the world should be to follow our lead in cutting taxes and making our tax code and regulatory system more efficient and competitive. The implementation of this rule will discourage the free flight of capital around the world and remove one of the few incentives governments around the world have not to impose excessive taxes on their people. We do not believe the U.S. should be a party to that effort.

We again urge that you withdraw this rule as soon as possible and make that position clear in the upcoming OECD meeting in Paris in which Treasury will represent the U.S. and President Bush.

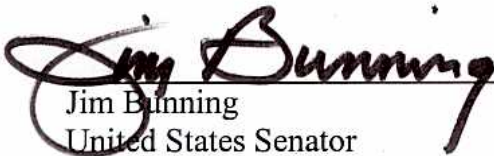
Sincerely,



Robert F. Bennett
United States Senator



Wayne Allard
United States Senator



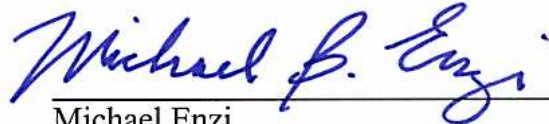
Jim Bunning
United States Senator



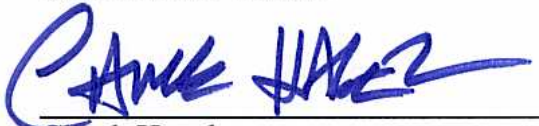
Mike Crapo
United States Senator



Elizabeth Dole
United States Senator



Michael Enzi
United States Senator



Chuck Hagel
United States Senator



Zell Miller
United States Senator



Rick Santorum
United States Senator



John Sununu
United States Senator