

Congress of the United States
Washington, DC 20515

April 15, 2011

The Honorable Barack Obama
President of the United States of America
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

For almost a century, the United States has welcomed the deposits of foreigners in U.S. banks. To attract this capital, the U.S. has refrained from taxing the interest earned on these deposits or requiring interest payments to be reported. Foreign deposits are an asset to America's financial system, helping provide financing for American families and businesses to create jobs and fuel economic growth.

However, the Internal Revenue Service has proposed a rule (REG-146097-09), which puts this system of openness towards foreign deposits at risk. The rule requires that interest payments on foreign deposits be reported back to the IRS, which in turn can share the information with the country of which the depositor is a resident.

At a time of uncertainty in the U.S. financial sector, this proposed rule could jeopardize the role foreign deposits play in our economy by pushing capital away from U.S. banks. Should this rule go into effect, our financial system would suffer a serious loss of capital that would have tremendous negative consequences for our economy.

In the state of Texas, foreign deposits make up a large portion of deposits in our local and community banks. These depositors historically have chosen to use the U.S. banking system over the one in their home country due to the stability of our system. If this rule goes into effect and these depositors take their money out of these banks, the ability of these institutions to help create jobs in communities throughout our districts will be negatively impacted.

Mr. President, we have three primary objections to this rule:

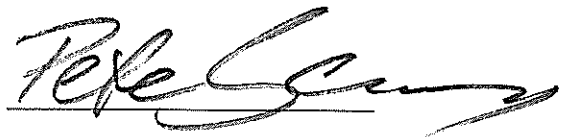
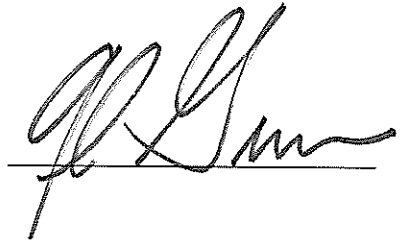
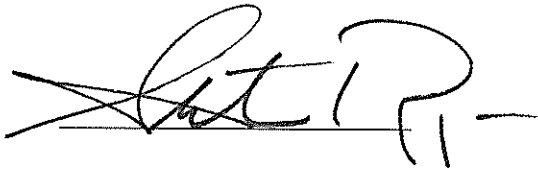
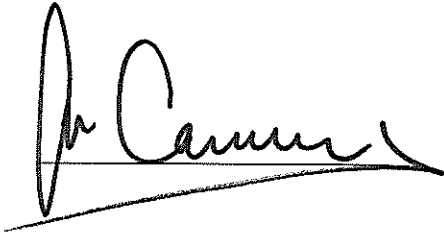
Job creation will be harmed. A Mercatus Center 2004 study of a similar but less damaging rule proposed in 2002 estimated that \$88 billion of capital would flee the United States banking system if that rule were implemented. Such a flight of capital from the United States would negatively impact the ability of Americans to access financing that is vital to job creation and economic growth.

Some foreign depositors will have their personal security put at risk. Many of the foreigners that deposit funds in Texas banks are citizens of nations that do not enjoy the political stability that the United States does. This lack of stability could result in an unauthorized release of their personal financial information by persons in their governments to criminal or terrorist elements after it is shared by the U.S. government. Should information on their finances become available to these undesirable groups in their home countries, they put themselves and their families at risk of kidnapping, extortion, or murder.

The IRS has exceeded its authority. Foreigners do not pay taxes on the interest earned on deposits in U.S. banks because Congress wanted to attract foreign capital to the United States. There is no reason to have that interest reported back to tax authorities. Such a major change in regulation runs contrary to the intent of Congress.

We respectfully ask that you withdraw the proposed rule and maintain the current policy to let foreign depositors know that the United States welcomes their business and that U.S. banking system is open and safe for them to do business with.

Sincerely,



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