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Congress of the United States

House of Representatives

January 29, 2002

The Honorable Paul O'Neill
Department of the Treasury
1500 Pennsylvania Avenue
Washington, D.C. 20220

Dear Secretary O'Neill:

During the final days of the Clinton Administration, the Internal Revenue Service proposed a regulation that would require foreign investors to report interest earned through deposits made in United States banks. As a longtime advocate for responsible and fair tax policy, I feel that it is my duty to voice my opposition to this ruling and encourage you to formally withdraw this unnecessary regulation.

The United States benefits from global tax competition. Our tax rates are low by industrial world standards, and we have very attractive laws for foreign investors. It would be very foolish, therefore, to undermine America's competitive advantage by agreeing to any tax harmonization initiatives - particularly proposals such as "information exchange" that would help other governments tax income earned in America.

As a member of the House Select Committee on Intelligence, I also worry that tax harmonization schemes may hinder the global fight against crime. The OECD, in particular, is threatening low-tax governments with financial protectionism unless they agree to become tax collectors for Europe's welfare states. This intemperate approach does not serve America's interests when we are seeking the maximum level of assistance in the worldwide battle against drug dealing, terrorism and other universally recognized crimes.

You should be applauded for resisting these proposals. The European Union and the Organization for Economic Cooperation and Development may think that tax competition is "harmful," but these international bureaucracies are representing the interests of high-tax governments that are trying to stop the flow of jobs and capital to low-tax jurisdictions like the United States.

Sincerely,

Jim Gibbons
Member of Congress

JG/mb

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