



A M E R I C A N S F O R T A X R E F O R M

GROVER G. NORQUIST

PRESIDENT

March 12, 2003

The Honorable John Snow
Secretary of the Treasury
Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Snow,

New York City is the world's largest financial center. This is a testament to a vibrant, high-quality workforce, but also a result of wise public policy decisions. For more than 80 years, federal lawmakers have sought to make the United States an attractive home for global capital. As a result, more than \$1.7 trillion of foreign money is deposited in American banks. This capital helps to finance American jobs, and provides affordable credit for homebuyers, consumers, and small business.

Unfortunately, the IRS is pushing a regulation that could undermine the competitiveness of U.S. banks. This proposed regulation (REG-133254-02), first introduced in the waning days of the Clinton Administration, would require U.S. banks to report bank deposit interest paid to nonresident aliens. This regulation is not needed to enforce U.S. tax law. Indeed, the IRS openly admits that this new burden will be imposed on our banking system solely for the benefit of foreign governments seeking to tax income earned inside U.S. borders.

Nonresident alien deposits may be just a small share of the foreign money in our banks, but every dollar of that money helps our economy and boosts our financial markets. If the regulation is finalized, the likely result is that this money will flee to banks in London, Zurich, Hong Kong, and other financial centers. I urge you to permanently withdraw this regulation. It is bad economic policy, it is bad regulatory policy, and it is a threat to the financial services industry in New York.

Sincerely,

Gov. George Pataki