CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
GOVERNMENT AFFAIRS

1615 H STREET, N.W.
WASHINGTON, D.C. 20062-2000
202/463-5310

January 21, 2009

The Honorable Charles Rangel
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Dave Camp
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Rangel and Ranking Member Camp:

The U.S. Chamber of Commerce, the world's largest business federation representing more than three million businesses and organizations of every size, sector, and region, writes to express our views on H.R. 598, the "American Recovery and Reinvestment Tax Act of 2009." While the Chamber applauds the inclusion of many provisions in H.R. 598, our overarching concern rests with the overall composition of this package. To jump start economic activity the Chamber believes more must be done to restore liquidity, spur economic activity, and stimulate job growth.

The Chamber supports the tax relief provisions in H.R. 598, notably:

- An extended net operating loss (NOL) carryback period. Further, we urge the inclusion of a 10 year carryback period for production tax credits for low-emissions energy technologies.
- Bonus depreciation and increased small business expensing provisions, which would promote investment and help stretch scarce capital.
- Full repeal of the 3% tax withholding on all government payments, which would provide relief to companies and governments from needlessly expending funds to prepare for implementation.
- The Housing Credit to first-time buyers, which would offer a refundable tax credit equivalent to an interest-free loan equal to 10% of the purchase of a home (up to $7,500).

However, the Chamber believes adding certain provisions would more effectively steer the economy to recovery. Action is desperately needed to address the severe ongoing liquidity crisis. Debt as a percentage of GDP is 350%, exceeding the 250% ratio of debt to GDP during the Great Depression. Thus, the Chamber strongly urges the Committee to provide temporary tax relief over two years for companies that purchase their own or related party debt at a discount. This would preserve jobs, facilitate the deleveraging of the U.S. economy, and strengthen financial institutions' balance sheets. Further, this would prevent continued economic contraction and corporate bankruptcies, and would stem job loss while strengthening financial markets. Congress has already passed similar legislation to reduce mortgage debt and should provide the same relief for companies to preserve jobs by reducing their debt burdens. Importantly, this process would be undertaken using private capital, not public sector funds.

In addition to tax relief for debt repurchase, the Chamber believes other provisions could also ease the liquidity problems plaguing the economy. Notably, the Chamber supports:

- Temporarily allowing foreign subsidiary earnings of U.S. companies to be repatriated at a reduced tax rate would ease liquidity challenges, relieve stress on the commercial paper market, help companies meet funding requirements in employee pension plans, and generally increase available funds. This could be achieved while generating revenue for the Treasury.
- Amending the FIRPTA rules would remove barriers that prevent foreign investors from injecting equity capital into commercial real estate, amending the REMIC rules would reduce limitations on the restructuring of commercial mortgage-backed securities, and modernizing the cancellation of indebtedness rules as applicable to REITs to facilitate loan restructuring and provide relief to the distressed real estate industry.

The Chamber believes the Committee should incorporate other provisions, which would have immediate short-term benefits while simultaneously helping businesses recover in the long term, specifically:

- Expand the funding corridor and allow automatic approval of funding method election changes for pension plans, and grant broader flexibility in the election of funding methods to ensure companies survive the dramatic decline in the equities markets.
- Reduce the corporate capital gains rate to 15% to encourage unlocking of appreciated assets held by companies. This would generate substantial tax revenues for the government and provide much needed capital that would be redeployed more efficiently into the economy.

The Chamber also is concerned with provisions related to COBRA and Health Information Technology. Expanding COBRA eligibility and duration would impose significant administrative burden on and economic costs to employers. As with all changes to COBRA, employers would ultimately fund the programming requirements to identify and track any extensions. While the Chamber supports efforts to invest in and jumpstart Health Information Technology, this legislation must not be hampered by onerous new privacy rules that would make providers, insurers, and other health care stakeholders hesitant to implement electronic health records.

The Chamber believes the proper balance and composition of this bill would, in the short-term, encourage investment, save jobs, reduce debt levels, and address the housing crisis. Policies that would, in the long-term, enhance stable economic growth are also vital. H.R. 598 approaches those goals, but falls short. To achieve its stated goal of economic recovery and reinvestment, H.R. 598 needs to be strengthened. The Chamber believes the recommendations made here would maximize the stimulative impacts needed and looks forward to working with the Committee and Congress to achieve that necessary result.

Sincerely,

R. Bruce Josten

Cc: Members of the Committee on Ways and Means