



Grover G. Norquist

President

July 9, 2004

The Honorable Charles Grassley
Chairman, Committee on Finance
U.S. Senate
Washington, DC 20510

The Honorable Max Baucus
Ranking Minority Member, Committee on Finance
U.S. Senate
Washington, DC 20510

Dear Chairman Grassley and Ranking Member Baucus:

As you know, the Foreign Sales Corporations (FSCs) and the extraterritorial income exclusion (ETI) export subsidies were found to be in violation of World Trade Organization (WTO) agreements. As of July 1st, tariffs are now 9 percent which is imposing damage on the U.S. economy.

S 1637, the "Jumpstart our Business Strength (JOBS) Act" will provide the correct remedy to bring the U.S. into compliance with WTO rulings while reforming international tax law and spurring economic growth in America. The legislation will cut the corporate tax rate, allow for repatriation, and, most importantly, will put America in compliance with the WTO to ensure that a worldwide trade war does not begin.

However, Americans for Tax Reform does believe certain provisions of the legislation will raise taxes on small businesses and thus reverse some of the positive effects of the proposed legislation.

For decades, it has been accepted as an ordinary and necessary tax-deductible business expense to account for the cost of fighting government regulatory burdens and tax audits.

S 1637 would amend Section 162 (f) of the Internal Revenue Code to disallow these legitimate business deductions. **It is bad enough that entrepreneurs need to comply with onerous government regulations and predatory tax audits. To claim that these are not ordinary and necessary tax-deductible business expenses is another slap in the face.**

On behalf of Americans for Tax Reform, I would urge you to remove this provision from the S 1637 while it is in conference.

Sincerely,

Grover Norquist