



Grover G. Norquist

President

October 28, 2002

The Honorable Charles Rossotti
Commissioner, Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

RE: REG-133254-02

Mr. Rossotti,

It seems like only months ago that I weighed in on the subject of reporting the interest earned by nonresident aliens on their US-based deposits to the governments of their home countries because indeed it was only months ago. The regulation proposed at the time was abandoned, and rightly so. It would have dealt a direct blow to our nation's economy by introducing a potent disincentive for people in other countries to put their money in American banks. Why bother if the tax collectors back home can find out about it, and use the information to take their unfair share?

But unfortunately, like Frankenstein's monster, this regulation has been stitched together again and reanimated. It was a uniquely lousy idea before, and narrowing its focus by concentrating this most recent effort on residents of "only" 15 countries makes it no less objectionable. Successfully imposing this regulation on these unlucky 15 will make it easier to regulate everyone else at a later (but not too distant) juncture.

Regardless of the regulation's scope and the pace of increase thereof, it will scare away both current and prospective foreign depositors if put into effect. America's banks will find it all the more difficult to meet their reserve requirements as a consequence. America's businesses and families will find it all the more difficult to get a loan. And our economy would be forced to suffer just so some bean counters on the other side of the globe can have some data.

We should defend foreign investors instead of empowering foreign bureaucrats. If other countries have a problem with our approach to depositors' privacy and taxation, then we should regard their complaints as compliments.

Onward,

Grover Norquist