

Active Financing Working Group

1001 Pennsylvania Ave. NW Suite 601

Washington DC

January 18, 2008

The Honorable Henry M. Paulson, Jr.
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Paulson:

The members of the Active Financing Working Group are collectively a critical part of the U.S. economy and provide hundreds of thousands of U.S. jobs. We applaud your efforts to develop a fiscal stimulus package that will provide an immediate boost to the U.S. economy. Any such package should include an immediate extension of the subpart F rules applicable to financial services business income.

In addition to temporary provisions designed to “jump start” the economy, it is critical to recognize the need to provide certainty to the financial services industry. The recent turmoil in financial markets poses a risk to our economy and to our workers. The credit situation threatens to deteriorate unless specific steps are taken to stabilize the U.S. financial services sector. Thus, an important component of any economic stimulus package should be to buttress this essential component of the U.S. economy.

A failure to extend the active financial services rules would be a significant tax increase on U.S. financial services firms. The shadow of this looming tax increase is already being felt as U.S. financial concerns make long-term financial decisions, including pricing decisions, acquisition activity and maintenance of employment levels.

For manufacturers, the economic situation makes foreign markets even more critical to U.S. manufacturing jobs. Indeed, many U.S. manufacturers are relying on their exports and foreign sales to sustain and even grow jobs here at home. Failure to extend the active financial services rules would result in a tax hike that would increase the cost of financing many export sales. At this critical time, American workers cannot afford that tax increase.

Thus, an extension of current law is critical to maintain competitive balance and quality long-term U.S. jobs in both the manufacturing and financial services sectors. If current law lapses, foreign firms are likely to fill the void and thousands of supporting U.S. jobs

may be lost. Already, only three U.S. banks are currently ranked amongst the world's top 25 banks.

Maintaining robust U.S. financial firms and markets is of paramount concern. Businesses and households must be able to finance their spending in order to make economic investments. Extending the active financial services provision as part of the economic stimulus package will ensure that U.S.-based financial services business are able to continue to operate competitively and provide the funds needed for investment and economic growth. In short, an extension of the active financial services rules now will provide a significant economic boost at a critical time for an industry facing significant challenges.

We cannot emphasize enough the need for quick action on this provision.

Sincerely,

The Active Financing Working Group

cc: Keith Hennessey, NEC Director