CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

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TO THE MEMBERS OF THE UNITED STATES CONGRESS:

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, urges Congress to consider and approve legislation to stimulate economic activity and spur job growth.

The U.S. economy, which is already in recession, continues to be buffeted by the unwinding of the housing market, a severe liquidity crisis, and a general economic deleveraging. The already weak economy threatens to slow further, making credit even less accessible to Main Street businesses. This downturn has already lasted longer and run much deeper than either of the two previous economic downturns.

While the stimulus bill enacted early last year focused on increasing consumption and investment, Congress needs to take additional action to provide stimulus to the economy and address the severe negative effects that the economic downturn has had on specific sectors and industries, such as housing, infrastructure, retail, real estate, broadband and travel.

SHORT TERM RECOMMENDATIONS

The Chamber believes that including the following provisions in stimulus legislation would have an immediate positive impact on the economy:

- Issuing rebate checks would infuse cash into the economy by putting money in workers' pockets and stimulating consumption.
- Extending the carry back period from two years to five years would enhance the liquidity of businesses with current losses.
- Temporarily allowing foreign subsidiary earnings of U.S. companies to be repatriated at a reduced tax rate could ameliorate some of the liquidity challenges confronting companies, relieve some stress on the commercial paper market, and make it easier for companies to make contributions to their pension plans in order to meet funding requirements and generally increase funds available to businesses. All of these outcomes could be achieved while producing a positive revenue effect for the U.S. Treasury.
- Providing temporary tax relief over one or two years for companies that purchase their own or related party debt at a discount would allow companies to withstand the economic downturn. Temporary suspension of this tax would create and preserve jobs, facilitate the deleveraging of the U.S. economy, and strengthen financial institutions' balance sheets. Congress has already passed similar legislation to help reduce mortgage debt and now

should provide the same relief for companies that want to preserve jobs through reducing the company's debt burden.

- Extending bonus depreciation and increased Section 179 expensing provisions and adopting a temporary investment tax credit would promote investment during the current economic downturn and stretch scarce capital by lowering the cost of undertaking new investment.
- Reducing the corporate capital gains rate to 15% would unlock appreciated assets held by companies, which would generate substantial tax revenues and at the same time provide much needed capital that could be redeployed more efficiently into the economy.
- Extending the reduced tax rate on dividends and capital gains would give taxpayers greater incentives to save and invest, which would add to our capital stock and increase productivity.
- Temporarily reducing borrower and lending fees for Small Business Administration 7(a) and 504 lending programs would incentivize banks to lend and make it more affordable for small businesses to borrow these funds for their enterprises. Additionally, increasing the government guaranteed percentage for the 7(a) loans would provide more liquidity for these loans on the secondary market.

PENSION PLAN RECOMMENDATIONS

The Chamber appreciates the work of Congress in passing the Worker, Retiree, and Employer Recovery Act of 2008; however, additional pension provisions are crucial for employers and are directly related to the current financial crisis – specifically the expansion of the funding corridor and automatic approval of funding method election changes. Current funding rules allow unexpected gains and losses to be smoothed out to a very limited extent, so that the smoothed value stays within 10% of fair market value. Given that the equity markets have fallen by half or more, the 10% limit on smoothing is extremely restrictive. Therefore, it is critical that asset smoothing apply without percentage limitations in 2009 and 2010.

In addition, broader flexibility in the election of funding methods is very much needed, and would go a long way toward helping companies weather this pension storm. Generally, IRS approval is required to change funding methods. Given the enormous changes over the past several months, companies need to reassess their funding methods to find those best suited to maintaining their plans going forward. For 2009 and 2010, the Chamber recommends allowing funding methods to be changed without IRS approval.

INDUSTRY AND SECTOR SPECIFIC RECOMMENDATIONS

In addition to the above recommendations, the Chamber urges including certain industry and sector specific assistance. Stimulus provisions encouraging transportation infrastructure spending, a repeal of the 3% withholding requirement, and provisions bringing aid to the housing, real estate, travel, and broadband industries would stimulate job creation and economic growth.

Transportation Infrastructure Spending

Infrastructure investment directly supports jobs. In transportation, both current public and private investment levels fail to keep pace with the demands of pressing economic, safety, energy, and environmental needs. To ensure that direct federal investment meets the ultimate objective of stimulating job creation and economic growth, it is of the utmost importance to ensure that funding is provided in such a way that it is targeted for near-term projects and can be spent quickly. In addition, boosting private investment is critical in not just transportation but broadband, drinking and wastewater, and energy. Accordingly, in addition to direct federal investment, the Chamber urges Congress to consider including incentives for boosting private investment in infrastructure so that the entire physical platform of the economy is maintained, modernized, and expanded to support economic recovery.

Repeal of the 3% Withholding Tax

Section 511 of P.L. 109-222 requires a 3% tax withholding on all government payments, which affects all government contracts as well as other payments, such as Medicare, grants, and farm payments. While this requirement is not set to go into effect until January 1, 2011, companies, as well as federal, state, and local governments, are expending funds starting to prepare for implementation now. These are needless preparation expenses, particularly during rough economic times, for a requirement that most believe should never have been enacted and should be repealed. DoD estimated that the costs to comply with the 3% withholding requirement will be in excess of $17 billion over the first five years, which is far more than any estimated revenue gains. While $17 billion is substantial, it is only a portion of the additional costs with which governments and the private sector would be burdened. Accordingly, the Chamber supports including a repeal of the 3% tax withholding law in any upcoming stimulus package.

Assistance to the Housing Industry

In response to the housing crisis in 1975, Congress implemented a tax credit for the purchase of vacant homes. More than 500,000 people used the tax credit and within the one-year window of opportunity for that credit, two-thirds of the standing inventory was absorbed, and home values stabilized and began to rise. The Chamber urges Congress to include a similar housing tax credit in any stimulus legislation. A well crafted but broader credit would encourage home sales. Such a program would be even more effective when coupled with a mortgage rate buy-down provision. Together, this approach would not only help dislodge the current logjam in the housing market but would also provide direct support to America’s homeowners.

Assistance to the Real Estate Industry

The Chamber urges Congress to allocate a portion of the remaining funds under TARP as equity to capitalize a Federal Reserve liquidity facility for new commercial mortgages and unsecured commercial real estate loans, permitting commercial real estate credit markets to restart and clear in an orderly fashion. In addition, the Chamber urges Congress to amend the FIRPTA rules to remove barriers preventing foreign investors from injecting equity capital into commercial real estate and to amend the REMIC rules to reduce limitations on the restructuring of commercial mortgage-backed securities.

Further, the Chamber urges you to modernize the cancellation of indebtedness rules as applicable to real estate investment trusts (REITs). Under current law, debtors who are S corporations or individuals may elect to exclude from gross income cancellation of indebtedness income related to certain real estate debt as long as the debtor reduces the basis of another property. The effect of this rule is to defer the inclusion of income from the discharge of debt related to real estate. Extending this rule so it also is applicable to REITs would extend greater relief to the distressed real estate industry by facilitating loan restructuring

Assistance to the Travel Industry

Overseas travel to the United States has declined since the attacks on September 11, 2001, which has cost the U.S. economy billions of dollars. In an effort to support the travel industry, the Chamber urges Congress to include legislation from the 111th Congress, H.R. 3232, the "Travel Promotion Act of 2007," which passed the House in September, as part of stimulus legislation. The Travel Promotion Act would encourage an increase in travel from visitors overseas, who tend to spend an average of $4,000 per person per visit at our nation's retailers, hotels, restaurants, attractions and many other businesses to stimulate these vital industries that are currently struggling in this economy.

Assistance to the Broadband Industry

Broadband serves as a vital part of the United States' infrastructure in the 21st century, and the potential economic benefits of increased broadband deployment and adoption must not be delayed. Accordingly, the Chamber urges Congress to fully fund P.L. 110-385, the "Broadband Data Improvement Act," which became law in 2008. Jumpstarting state-based broadband initiatives will lead to economic gains as broadband coverage gaps are erased and broadband adoption rates increase. With a modest increase in broadband adoption, the United States could realize a total direct economic impact of $134 billion annually, including $92 billion in new wages from the 2.4 million jobs created through broadband growth, according to Connected Nation. Additionally, the Chamber supports providing the private-sector with incentives, such as tax credits, to encourage investment in broadband infrastructure.

The Chamber believes short term stimulus provisions combined with pension legislation and assistance to specific industry sectors would, in the short run, act as an insurance policy by encouraging immediate investment, and further the prospects for long-term economic growth. The Chamber looks forward to working with Congress to ensure that these changes are enacted into law.

Sincerely,

R. Bruce Josten