

Congress of the United States

House of Representatives

109th Congress

Committee on Small Business

2361 Rayburn House Office Building

Washington, DC 20515-6315

May 2, 2006

The Honorable J. Dennis Hastert
Speaker
U.S. House of Representatives
Room H-232, the Capitol
Washington, DC 20515-6501

Dear Mr. Speaker:

Yesterday, I was dismayed to read in the Wall Street Journal that the tax reconciliation conferees may revisit the hard-fought compromise of the domestic manufacturing tax break from the 108th Congress as one possible revenue raiser even though neither the House nor the Senate has any proposal affecting this part of the tax code in their underlying bill. Mr. Speaker, there are already enough disincentives to manufacture in America – we don't need to increase their taxes. Recently, I gave you a copy of a report documenting the state of working Illinois, as prepared by the Center for Tax and Budget Accountability and Northern Illinois University. The report concludes that average earnings are declining in Illinois primarily because of the loss of manufacturing in the state.

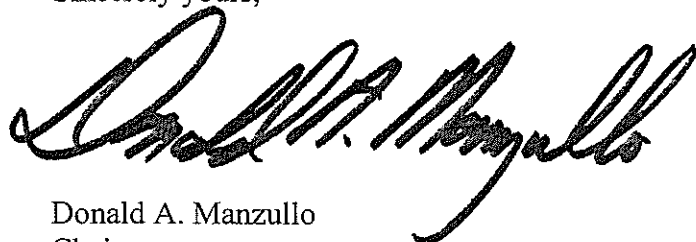
As you well know, in the 108th Congress, I was a leader in the debate to include a phased-in 9 percent across-the-board tax deduction by 2010 for domestic manufacturers as compensation for the loss of the Foreign Sales Corporation/Extraterritorial Income (FSC/ETI) tax break primarily because the main beneficiaries of FSC/ETI were manufacturers that made products in the United States and sold them abroad. It makes no sense to revisit this compromise, despite threats of higher tariffs from the European Union (EU), simply because the EU disagrees with our legislative efforts.

I realize that finishing the tax reconciliation conference is an arduous task. I commend the efforts of House Ways and Means Committee Chairman Bill Thomas and Senate Finance Committee Chairman Charles Grassley to find a compromise that will extend the key elements of the President's tax cuts all within the tight confines of a \$70 billion

reconciliation package. It is important that we get that done. But it should not come at the expense of our struggling manufacturing sector.

I thank you in advance for listening to my concerns.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Donald A. Manzullo". The signature is fluid and cursive, with a large initial "D" and "M".

Donald A. Manzullo
Chairman

cc: The Honorable John A. Boehner, House Majority Leader
The Honorable Roy Blunt, House Majority Whip
The Honorable Deborah Pryce, Chair, House Republican Conference