

Congress of the United States
Washington, DC 20510

November 30, 2010

Dear Colleague,

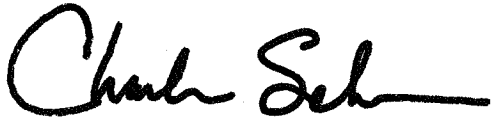
In the coming days, the Senate will take long-awaited action on the 9/11 Health and Compensation Act (H.R. 847), a bill to provide the courageous first responders and rescue workers the medical care they need to help survive illnesses they developed from breathing in toxic fumes and smoke during the recovery and rescue efforts in the aftermath of the tragic attacks on our nation on September 11, 2001. The brave men and women who answered our nation's call for rescue and recovery in the hours, days and months after the attack on America came from every state in the union. And those that suffer illness as a result are also from every corner of our country. Today in the Capital, twenty-nine police badges belonging to members of the NYC Police Department who helped in rescue efforts at Ground Zero, and later died from illnesses related to or exacerbated by their rescue work, will go on display.

The 9-11 Health and Compensation Act, which passed the House with a bipartisan vote in September, will provide \$3.2 billion over the next eight years to monitor and treat injuries stemming from exposure to toxic dust and debris at Ground Zero. These injuries include severe upper and lower respiratory conditions, tumors, and pulmonary diseases. New York City would pay 10 percent of these health costs. The bill would also set aside \$4.2 billion to reopen the September 11th Victim Compensation Fund to provide economic relief to those harmed by the attacks. To date, an estimated 36,000 Americans have received treatment for 9/11-related illnesses and injuries. Over 53,000 responders are enrolled in medical monitoring.

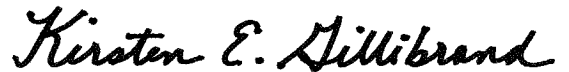
We believe we are only one vote away in the Senate from delivering the brave men and women who served in the aftermath of 9-11 the medical care they desperately need and deserve. The bipartisan bill that passed the House used an offset that some of you have voiced opposition to. That offset, supported by Republicans in the House like Congressman Pete King (R-NY) and Senator Mark Kirk (R-IL), targets "treaty shopping" where a foreign company in a country without a U.S. treaty routes income through a third intermediary company with a treaty to take advantage of the intermediary company's tax reductions. We are willing to replace the existing offset with any combination in the attached menu as an alternative and ask for your vote for cloture on a motion to proceed to H.R. 847 so that we can amend the House offset.

The tens of thousands of courageous volunteers who rushed to the smoldering ruins of the World Trade Center in the hours and days after the attacks came from all corners of the country and all political stripes, and deserve the support of every one of us honored to represent them. We thank you for your support.

Sincerely,

Handwritten signature of Charles Schumer in black ink.

Senator Charles Schumer

Handwritten signature of Kirsten E. Gillibrand in black ink.

Senator Kirsten Gillibrand

Alternative Offsets for the 9-11 Rescue Worker Bill

Achieving Cost Savings on U.S. Government Procurement from Manufacturers in Countries who are not Members of the Agreement on Government Procurement (GPA): Every year, the United States spends between \$35 billion to \$40 billion per year on procuring items from foreign manufacturers—located abroad in countries that are not members of the GPA—instead of from American companies. By doing this, many opportunities for creating American jobs are lost and countries are not encouraged to sign the GPA—which would open up foreign government procurement opportunities to American companies. This proposal would impose a 2% fee on any government disbursement made pursuant to future procurement agreements with foreign manufacturers/companies located in non-GPA countries. This proposal would also prevent companies from raising their prices to compensate for the fee. By instituting this fee, in the long term, foreign countries will be incentivized to sign the GPA and the U.S. will be incentivized to look to domestic sources to fill procurement needs. **(Estimated score of \$7 billion over ten years)**

Transfer Pricing Reform: This proposal limits shifting of income through intangible property transfers by clarifying (i) the definition of intangible property to include workforce in place, foreign goodwill and foreign going concern value, (ii) that, transferring multiple intangible properties, such properties may be valued on an aggregate basis if it achieves a more reliable result, and (iii) that intangible property must be valued at its highest and best use. **(JCT score of \$10.2 billion over ten years)**

Dual Capacity Foreign Tax Credit Reform: Under current law, a taxpayer may claim a credit against its U.S. tax liability for taxes paid to a foreign country. Taxpayers that are subject to a foreign levy and that also receive a specific benefit from the levying country are known as dual capacity taxpayers. In some cases, these taxpayer are entitled to claim this credit for a foreign levy, which is substantially equivalent to an income tax, even if it is not called as such. Currently we can claim a foreign tax credit for taxes paid in all countries. This proposal will mean dual capacity taxpayers can only treat a foreign levy (that would otherwise qualify as an income tax) as creditable tax only if the foreign country imposes an income tax. **(JCT score of \$8.2 billion over ten years)**

Worker Misclassification Bill: More than 10 million workers in this country are classified as independent contractors. But the Department of Labor estimates that as much as a third of these individuals are actually regular, full-time employees. Companies that pass off employees as independent contractors avoid paying Social Security, Medicare and UI taxes for those workers. Misclassification also denies workers vital employment rights and protections, such as workman's compensation. Senator Kerry's Fair Playing Field Act, which is a legislative priority of the Vice President's Task Force on the Middle Class, seeks to combat this abuse by allowing the IRS to issue regulations targeted at companies that misclassify workers and by requiring greater reporting/verification. Currently, the IRS is statutorily prohibited from doing so. **(Treasury estimates a savings of \$7 billion over ten years)**

Earnings Stripping Reform: Current law limits the deductibility of interest paid to related persons to the extent that the company fails the debt to equity safe harbor (currently 1.5 to 1) and has interest expense that exceeds 50 percent of its adjusted taxable income (essentially a cash basis taxable income). Certain U.S. entities enter into transactions that result in an "expatriation" whereby a U.S. parent company would essentially be replaced by a foreign parent company while the legacy shareholders remain largely intact. The Treasury Department found strong evidence that entities involved in expatriation transactions were commonly loaded up with a significant amount of debt to reduce future U.S. taxable income. To curb this perceived abuse, for expatriated entities, the proposal would eliminate the safe harbor debt rule and reduce the limitation threshold to 25 percent of adjusted taxable income on interest paid to related parties, excluding interest paid to an unrelated party in which the debt is subject to a related party guarantee. **(JCT estimates \$1.7 billion in savings over ten years)**