

United States Senate

WASHINGTON, DC 20510

Repeal Anti-Privacy Provisions of the Foreign Accounts Tax Compliance Act (FATCA)

Dear Colleague:

This week I intend to offer a bill to repeal certain provisions of the Foreign Account Tax Compliance Act, or FATCA (P.L. 111-147). The intent of this law was to prevent tax evasion by increasing access to overseas bank accounts held by U.S. citizens. However, any law enforcement benefits have been vastly outweighed by the deleterious effects of FATCA on economic growth and the financial privacy of Americans.

FATCA requires the financial institutions of foreign countries to register directly with the IRS, and to provide financial information on the accounts of U.S. citizens – regardless of whether or not these U.S. citizens are suspected of tax evasion. A failure to comply with these requirements subjects that foreign financial institution (FFI) to a 30% withholding of U.S. - derived revenues. This has had the practical effect of forcing FFIs to relinquish any association with American customers, and to avoid direct investment in the United States. It goes without saying that overseas investment in the U.S. is an important engine of our economic growth and prosperity. FATCA endangers an estimated \$25 trillion in foreign capital currently invested in the U.S.

Perhaps even more troubling, the implementation of FATCA has allowed the Treasury Department to make independent decisions with respect to the sovereignty of foreign nations and the privacy of United States citizens. In order to implement this law, Treasury has initiated intergovernmental agreements (IGAs), citing the intent to engage in reciprocal information sharing with other nations. The Treasury Department, without the consent and authority of Congress, will force U.S. financial institutions to provide the bank account information of private customers to foreign nations. Such a requirement not only diminishes U.S. privacy protections, but also imposes billions of dollars in compliance costs here at home, which will be passed onto customers and the American public.

My bill is drafted with the intention of removing only FATCA provisions that undermine American's constitutional privacy protections and add burdensome regulations with a negative economic impact on the United States. Other provisions enacted at the same time, such as those pertaining to clarification of foreign trusts and treatment of dividends that do not have those negative impacts have been left alone. The intent of this bill is not to disrupt legitimate tax enforcement, only to repeal counterproductive and constitutionally suspect mandates.

To cosponsor, please contact my staff at John_Gray@paul.senate.gov or at 4-4343, by Friday, April 25, 2013.

Sincerely,



Rand Paul, M.D.
United States Senator