April 19, 2010

The Honorable Max Baucus	The Honorable Charles Grassley
Chairman	Ranking Member
Committee on Finance	Committee on Finance
SD-209 Dirksen Senate Office Building	SD-209 Dirksen Senate Office Building
Washington, DC 20510-6200	Washington, DC 20510-6200

Dear Chairman Baucus and Ranking Member Grassley:

On behalf of the Independent Community Bankers of America (ICBA) and our 5,000 member banks nationwide, we would like to express our strong opposition to any new tax or fee specifically targeting the financial services industry. As the Senate Finance Committee begins hearings on this new tax proposal, we wanted to be clear to the Committee that the ICBA is opposed to a new tax levy that specifically targets our industry segment.

Notably, the Obama Administration proposed a new "Financial Crisis Responsibility Fee" to target "highly leveraged" Wall Street firms and the financial sector intended to help fully pay back Troubled Asset Relief Program (TARP) costs. The proposal is estimated to collect up to $117 billion in new revenues. This fee proposal is deeply flawed and misplaced as crafted to address "TARP costs" because the commercial banking sector is estimated to pay back all its TARP funds at a profit to the federal government and taxpayers, while the true taxpayer TARP losses are expected from assistance to non-banks like AIG, General Motors, CIT, Chrysler, and for mortgage foreclosure mitigation programs.

While ICBA sincerely appreciates and supports needed financial reform efforts to rein in the too-big-to-fail financial institutions and the excessive risk-taking of the nation's largest firms that caused the financial crisis, <u>we oppose any new fee or tax specifically and exclusively targeting the financial sector through the tax code</u>. The House has already passed financial reform legislation that gives financial regulators the tools they need to effectively address systemically dangerous institutions and the full Senate is set to take up similar legislation. Punishing a single sector using the tax code is simply bad tax policy.

Currently there is no sector-specific federal tax applied to financial firms. Community banks did not cause the financial crisis but genuinely fear that any proposed tax on the financial sector will unfairly end up hitting all banks as the federal debt and deficit fuel a growing demand for additional revenues. This fear is not mere speculation. Recent Congressional tax policy discussions have already quickly mutated from the Administration's original proposed fee on the largest, most leveraged firms, into a general revenue, profits, or income tax on the banking sector to pay for "deficit reduction," "jobs bills," or other program purposes. This policy development is deeply disturbing and ICBA will continue to adamantly oppose any new tax or fee targeting our financial industry sector through the tax code.

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We believe that imposing such a new tax or fee to punish an individual industry is precedent setting and represents bad public policy. Once the tax code is opened up to target or punish a specific sector it would be difficult to contain the size, scope, and broader application of such a tax.

ICBA appreciates the Administration's and Congress' recognition that community banks were not the cause of the financial crisis and are active participants in the economic recovery. Community banks are doing their very best in a difficult environment to help boost small business lending and economic growth. However, too often new costs intended to target the failures of the largest firms do end up hitting community banks as well. The banking industry, including community banks, in December paid more than $45 billion in new FDIC prepaid deposit insurance fees (on top of a special $5.6 billion assessment and increased fees in 2009) as fallout of very costly big bank failures. Similarly, because of the failures of Enron, WorldCom and other mega-firms, the broad publicly traded banking industry has to pay thousands of dollars in additional costs each year to comply with Sarbanes-Oxley rules. Given these recent experiences, community banks rightly fear that any fee initially intended to target just a few large firms will end up punishing them as well.

This is no time to jeopardize the lending capacity of the banking sector and their customers with the threat of a potential runaway new tax burden on the sector. A $117 billion tax on the financial sector would further stunt lending capacity and raise customer costs. Community banks remain concerned when they see this new bank fee easily morphing in Congress into a broader and unfair tax burden potentially imposed on all banks.

Therefore, ICBA strongly opposes any financial sector specific tax or fee proposal using the tax code. We urge Congress to give full and fair consideration to the potential negative consequences on the community banking sector and small business lending capacity from any unprecedented onerous new bank tax.

Thank you for your consideration.

Sincerely,

/s/

Camden R. Fine

cc: The Honorable Timothy Geithner, Secretary of the Treasury
Committee on Finance Members