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February 14, 2007

Chairman Charles Rangel
House Ways and Means Committee
1102 Longworth House Office Building
Washington, DC 20515

Congressman Jim McCrery
Ranking Member, House Ways and Means Committee
1106 Longworth House Office Building
Washington, DC 20515

Dear Chairman Rangel and Ranking Member McCrery,

On behalf of the American Bankers Association, I am writing to express our support and appreciation for your decision to exclude retroactive tax provisions from the Small Business Tax Relief Act (H.R. 976).

In particular, from a tax policy perspective, your decision to exclude the retroactive tax on certain types of lease transactions entered into prior to March 12, 2004, was extremely important.

The American Jobs Creation Act of 2005 contained provisions addressing a change in the government's treatment of certain types of lease transactions. The changes to tax law were only prospective. Several issues were considered and debated prior to the passage of this legislation that had a significant impact on the effective date for the changes contained in the legislation. These issues included: (1) the fact that most transactions had been based on longstanding tax law; (2) several transactions were mid-stream and the loss of tax benefits would have had a tremendous negative economic impact; (3) the effective date for any such change in law should be prospective. As a result, the final version of the legislation included appropriate grandfathering for transactions entered into before March 12, 2004.

Retroactive changes to tax policy undermine the certainty that businesses of all sizes need to operate with confidence and to keep the economy vibrant. The bottom line is that retroactive tax changes could have severe economic consequences.

We thank you for your decision to exclude retroactive language regarding this issue from H.R. 976, and we look forward to continuing to work with you in the future.

Sincerely,

Floyd E. Stoner



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