

February 13, 2012

The Honorable Timothy F. Geithner  
Secretary of the Treasury  
1500 Pennsylvania Avenue. NW  
Washington, DC 20220

Dear Secretary Geithner:

The American Bankers Association (ABA), representing the nation's \$13 trillion banking industry and its over two million employees, strongly opposes the tax on banks that was included in the Administration's February 13, 2012, Fiscal Year 2013 budget proposal. The "financial crisis responsibility fee" (bank tax) was originally introduced in January 2010 to recoup losses from the Troubled Asset Relief Program (TARP). The fact is that just last week, Treasury's report on TARP stated that taxpayers have already recovered \$13 billion more than the \$245 billion invested in banks and "the bank programs will result in a lifetime positive return for taxpayers of more than \$20 billion."<sup>1</sup>

A continuing misperception of the TARP program is that financial support was provided only to the banking industry. In fact, TARP was expanded to provide financial support to General Motors, Chrysler, AIG, and the Administration's housing programs. To the extent there will be losses under TARP, it is from these other uses of funds, not the investments made in banks. Given the non-bank programs are responsible for all of TARP's losses, the bank tax is an arbitrary tax on institutions of a certain size without regard to where the losses actually occurred. After last year's similar proposal in the budget, the Congressional Budget Office acknowledged this, saying "the firms paying the fee would not be those that are directly responsible for losses realized by TARP."<sup>2</sup>

Besides the unfairness of banks paying a tax on top of the significant return on investment for taxpayers, there are significant negative and unintended consequences of taking capital out of the banking system. It is important to remember that \$1 of bank capital can support up to \$10 in lending, which means that a 10-year tax of \$61 billion would result in up to \$600 billion in loans that would not be made over the 10-year period. This means that millions of small business loans would be in danger of not being funded.

The ABA believes that a bank tax is ill-conceived regardless of the economic cycle. It is, however, irresponsible to assess such a tax at this time when the economy is just starting to gain momentum. Credit availability is vital to future economic growth and job creation. Implementing any tax now would likely lead to a greater withdrawal of resources in a shorter period of time than is appropriate or prudent. The bank tax would mean higher borrowing

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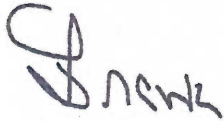
<sup>1</sup> Emphasis added. Troubled Asset Relief Program (TARP) Monthly 105(a) Report – January 2012, Issued on February 10, 2012.

<sup>2</sup> Congressional Oversight Panel Final Report, March 16, 2011.

costs and less credit availability for consumers and businesses, while pushing financial activity to unregulated non-bank sectors.

We urge the Administration to resist efforts to propose unwarranted taxes on the banking industry. Such proposals only harm an already weak economy.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank Keating". The signature is stylized and written in a cursive-like font.

Frank Keating

cc: The Honorable Dave Camp  
The Honorable Sander Levin  
The Honorable Max Baucus  
The Honorable Orrin Hatch