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December 24, 2008

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U.S. House of Representatives
Washington, DC 20515

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U.S. Senate
Washington, DC 20510

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U.S. House of Representatives
Washington, DC 20515

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U.S. Senate
Washington, DC 20510

Re: Report on the International Provisions of H.R. 3970 and the Effects
of Reductions in Corporate Tax Rates

Dear Sirs:

We write to comment on three aspects of H.R. 3970, the Tax Reduction and Reform Act of 2007, which was introduced by House Ways and Means Committee Chairman Charles Rangel on October 25, 2007. First, we offer recommendations on the proposed additions of Sections 975 and 976 to the Internal Revenue Code of 1986. These provisions would require deferral of deductions allocable to deferred foreign source income and would change the rules for calculation of the foreign tax credit to prevent taxpayers from maximizing their credits by selectively recognizing or repatriating high-taxed foreign income.

Second, we address the proposed addition of Section 894(d), which would deny treaty benefits (and impose withholding taxes) with respect to deductible payments made by a U.S. taxpayer to a related party controlled by a foreign common parent corporation if the foreign common parent would not be entitled to treaty benefits had it received the payments directly.

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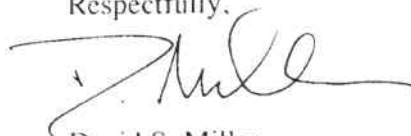
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Finally, the bill would reduce the maximum corporate income tax rate to 30.5%. Subsequently, Chairman Rangel indicated that he would revise the bill to further reduce the maximum corporate tax rate to 28%. We consider the effect of a reduction of the maximum corporate rate on individual taxpayers' choices of forms of business entities and the application of the accumulated earnings tax and personal holding company tax.

We do not express a view on the merits of the policies underlying the bill. Our comments are instead directed to whether the provisions as drafted would successfully achieve their intended purpose, whether they would be likely to produce unintended consequences, and whether they would be reasonably easy to administer.

Please let us know if you would like to discuss these matters further or if we can assist you in any other way.

Respectfully,

A handwritten signature in black ink, appearing to read "D. Miller", with a stylized flourish extending to the right.

David S. Miller

cc: John L. Buckley
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