May 14, 2008

United States Senate Finance Committee
Washington, DC 20510

Dear Chairman Baucus and Ranking Member Grassley,

The undersigned organizations urge your support for S. 2775, the Fair Share Act of 2008, introduced by Senator John Kerry, which will close the tax loophole used by federal contractors to avoid hundreds of millions in Social Security and Medicare payroll taxes by setting up shell companies in foreign tax havens.

Numerous reports in the national media have confirmed that several major federal contractors have used taxpayer funds to set up foreign subsidiaries in tax havens like the Cayman Islands in order to avoid paying their most basic federal responsibilities. These contractors enjoy an unfair advantage over tax-paying competitors, and many of their workers, hired through these sham companies, are unaware that they are not U.S. employees and are, therefore, ineligible to earn federal benefits.

The Fair Share Act of 2008 amends the Internal Revenue Code and the Social Security Act to treat foreign subsidiaries of US companies performing services under contract with the United States Government as American employers for the purpose of Social Security and Medicare payroll taxes.

The legislation will apply to wages paid by foreign subsidiaries of a U.S. parent, and applies only in situations where the parent owns more than 50 percent of the foreign subsidiary. This legislation does not apply to foreign parent companies contracting directly with U.S. government. Companion legislation passed the House with bipartisan support last month.

It is offensive to American taxpayers that federal contractors receiving billions in government funds are allowed to use foreign companies that exist in name only to avoid their responsibility to pay taxes. We call on leadership to move this common sense reform through the Senate Finance Committee.

We urge you to support the Fair Share Act of 2008.

Sincerely,

American Association of Retired Persons (AARP)
American Federation of State, County, and Municipal Employees
Coalition on Human Needs
Common Cause
Citizens for Tax Justice
National Committee to Protect Social Security and Medicare
OMB Watch
Public Citizen
Project on Government Oversight
United Methodist Church, General Board of Church and Society
United Church of Christ, Justice and Witness Ministries
USAAction
US Public Interest Research Group
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