

United States Senate

OFFICE OF THE REPUBLICAN LEADER

July 1, 2008

The Honorable Harry Reid
Majority Leader
United States Senate
Room S-221, The Capitol
Washington, D.C. 20510

The Honorable Max Baucus
Chairman
United States Senate Committee on Finance
Room 219, Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Leader and Mr. Chairman:

We are writing in response to the letter sent to Leader McConnell on June 13, 2008, concerning legislation, H.R. 6049, which is designed to extend certain expiring tax relief provisions and energy tax incentives. We are disappointed that some in Congress have chosen to politicize what has historically been a very routine and bipartisan exercise of extending traditional expiring tax provisions and patching the Alternative Minimum Tax (AMT). It is our great hope that the Senate can rise above partisanship, work out a bipartisan solution to extend these important tax relief provisions, and send the legislation to the House for their consideration.

Rather than responding to the overtly partisan aspersions leveled in the June 13 letter, we instead ask you to join with us to find areas of bipartisan agreement that can break the current impasse over these pending time-sensitive tax matters. We propose that the Senate Democratic and Republican leadership and the Chairman and Ranking Republican of the Senate Finance Committee instruct relevant staff to undertake negotiations with a goal of bringing a bipartisan AMT/tax extenders package to the Senate floor for a vote before the August Recess.

Indeed, during Senate consideration of motions to instruct Budget Conferees, the Senate agreed by voice vote to two motions: one by Senator Conrad and one by Senator Kyl; each motion expressed support for passing the tax extenders and the AMT patch without increasing taxes. Furthermore, the alternative energy tax incentives, which passed the Senate by an overwhelming vote of 88 to 8 without offsetting tax increases, are another indication that a large majority of the Senate does not believe tax relief extensions must be offset. We believe this approach provides a blueprint for successful Senate action.

The Senate Republican Conference has a long history of supporting the extension of traditional expiring tax relief, including an extension of the AMT patch, without accompanying tax increases. We are dismayed that so little attention has been paid to the real damage that is being caused to our economy due to the fact that the research and experimentation tax credit, the college tuition deduction, and a host of other important individual and business tax provisions

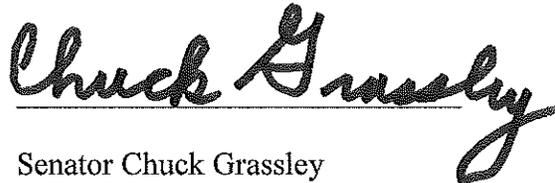
have already expired. And we have warned again and again about the tremendous uncertainty we are creating for American families as a result of the already-expired AMT patch.

Just as simple extensions of existing mandatory spending do not require offsetting spending reductions – and indeed, the creation of a new mandatory spending program for veterans' education benefits and the extension of unemployment benefits will not be accompanied by a corresponding spending offsets in the war funding bill – we believe simple extensions of existing tax policies should not be held hostage to the demand by some for ever-greater tax collections.

We are confident that the best traditions of the Senate for negotiation and bipartisan agreement will prevail with regard to the tax extenders and the AMT patch this year, as they have so many times in the past on these issues. All that it will require is your agreement to focus on constructive solutions that we can all support rather than wasting time with partisan press releases and other missives that only make more difficult the cooperation required for the Senate to act on these urgent matters.



Senator Mitch McConnell
Republican Leader
United States Senate



Senator Chuck Grassley
Ranking Member
U.S. Senate Committee on Finance