HARRY REID
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MAJORITY LEADER

United States Senate

WASHINGTON, DC 20510-7012

July 8, 2008

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
Washington, D.C. 20510

Dear Leader McConnell:

Thanks for your recent response to the letter I sent you June 13 regarding extension of the expiring tax provisions and energy tax incentives.

Let me begin by saying I strongly share your hope that the Senate can work out a bipartisan solution to extend these important tax incentives before the August recess. Such action is as important as it is long overdue.

Although you have voted twice against just such a package, I did note that your July 3rd response contains one potentially positive thought that may make such a solution more likely. As you know, under this Republican President and a Republican-controlled Congress, the nation's debt and deficits reached historic levels. Record budget surpluses were transformed into record deficits and the nation's debt grew by more than $3 trillion. Much of this was caused by the fiscally irresponsible decision to cut taxes and increase spending without corresponding offsets. Your July 3rd letter appears to indicate you are now ready to set aside your fiscally irresponsible ways when it comes to extenders and adhere to pay-as-you-go budget rules Democrats enacted at the beginning of the 110th Congress.

Unfortunately, rather than accept the noncontroversial offsets contained in the bipartisan legislation passed by the House and the substitute put together by Senator Baucus, your letter indicates Senate Republicans believe we should instead jeopardize important investments in our nation's health, energy, and infrastructure sectors. Both the House-passed and Baucus substitute bills rely on the same two offsets – one ends the use by hedge fund managers of offshore accounts to avoid paying taxes and the other merely extends an existing delay in the implementation of interest allocation rules for multinational corporations. Neither provision has generated opposition from the affected industries and both are far preferable to cuts in health care, energy, and infrastructure programs that would harm Kentucky and many other states.

Despite your apparent decision to protect hedge fund operators over critical national priorities, I remain committed to taking up and passing bipartisan legislation to extend important tax incentives before the August recess. The fate of this legislation rests in your hands. I hope you and those in your caucus who have blocked the Senate from passing this legislation twice earlier this year will reconsider your opposition and join Democrats to extend this much-needed tax relief.

Sincerely,

Harry

Harry Reid
U.S. Senator