

Congress of the United States

Washington, DC 20515

January 23, 2008

President George W. Bush
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Treasury Secretary Henry Paulson
U.S. Department of the Treasury
1500 Pennsylvania Avenue
Washington, DC 20220

Dear President Bush and Secretary Paulson,

We respectfully request that any economic growth and stimulus package that you consider for the country include provisions similar to those contained in H.R. 1261, the Capital Gains Inflation Relief Act of 2007, which would allow the indexing for inflation of the cost basis a taxpayer may use when calculating capital gains taxes. The net effect of this indexing would be to allow taxpayers to keep more of their own money, which certainly would provide a boost to our economy.

We further request that if this provision is not included in the growth and stimulus package, the Treasury Department take such action administratively.

The Internal Revenue Code defines a capital gain as the value of an asset at the time of sale minus the "cost." The Treasury Department, since the inception of the Code, has interpreted "cost" to mean the original price at the time of purchase, since "cost" is not explicitly defined in this context.

As a result, many people who pay the capital gains tax are, at least in part, paying a tax on inflation. For example, if someone bought an asset in 1980 for \$1,000 and sold it in 2006 for \$2,500, he or she would pay a tax on a \$1,500 "gain." But \$1,000 in 1980 is worth about \$2,500 today. That is, this citizen could buy about as much in 1980 with \$1,000 as he or she can today with \$2,500.

We believe that citizens should not be taxed on a "gain" that brings them no increased (and possibly decreased) economic value. Hence, indexing for inflation the cost basis used in calculating the capital gains tax would have the effect of reducing taxes for millions of Americans because it would eliminate this unfair tax on inflation.

The National Chamber Foundation commissioned a legal memorandum to determine if the Treasury Department could index capital gains for inflation by regulation, without an act of Congress. Such legal analysis concluded, based on court and regulatory precedents and on the lack of a specific definition for "cost" in the Code, that indeed the Administration could take such action by regulation.

We hope that capital gains indexing can be accomplished legislatively by either passage of H.R. 1261 or its inclusion in an economic growth and stimulus package. However, if your negotiations with Congressional Leadership do not allow for inclusion of this

provision, we ask that you implement capital gains indexing administratively in 2008, and reflect such action in your fiscal year 2009 budget proposal.

Thank you for your consideration.

Most sincerely,



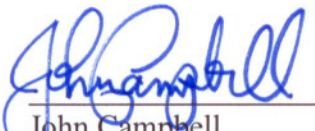
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