



*Office of the Vice President
Governmental Programs*

*1301 K Street Northwest, Suite 1200
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May 24, 2010

The Honorable Sander M. Levin
U.S. House of Representatives
1236 Longworth House Office Building
Washington, DC 20515-2212

The Honorable Dave Camp
U.S. House of Representatives
341 Cannon House Office Building
Washington, DC 20515-2204

Dear Chairman Levin and Ranking Member Camp:

IBM strongly opposes the "tax extenders" legislation pending before Congress this week. Although our company has been a long-time supporter of the R&D tax credit that has enjoyed bipartisan support in Congress over many years, the pending legislation would impose significant new tax increases that will completely overwhelm any positive economic effect of the R&D tax credit, harming the U.S. economy just as recovery has begun.

The legislation released on May 20 includes new, permanent – and sometimes retroactive tax increases inserted into legislation under the pretext of "paying for" a temporary tax credit for R&D and other expiring provisions. These new tax increases have never been the subject of Congressional hearings and were developed behind closed doors without input from taxpayers.

The U.S. international tax system has evolved over time to help American companies compete in the global marketplace against foreign competitors who operate under more favorable global tax systems. IBM's foreign earnings help fund domestic investment and research and result in meaningful US jobs. As such increasing taxes on IBM's foreign earnings will have a negative effect on these investment decisions. Rather than adopting changes on a piecemeal basis, any changes to the international tax rules should be considered in the broader context of comprehensive tax reform.

Despite the one-year renewal of the R&D tax credit, which we and other technology firms have long supported, the late insertion of large new permanent tax increases, together with hundreds of billions in new deficit spending that has not been offset, leads IBM to strongly oppose this legislation. We do, however, support an open discussion about comprehensive reform of the U.S. tax system.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Padilla".

Christopher Padilla