

Morgan Stanley

June 9, 2004

The Honorable Bill Thomas
Chairman
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Thomas:

Morgan Stanley supports H.R. 4520, the American Jobs Creation Act scheduled for mark-up in the Committee on Ways and Means on Thursday, June 10, 2004. We are hopeful this measure will soon be approved by the U.S. House of Representatives, bringing us one-step closer to ending the trade sanctions imposed by the European Union because of WTO decisions against the FSC and ETI regimes while enacting much needed and long awaited modernization of our international tax rules.

The growing interdependence of world financial markets has highlighted the need to rationalize U.S. tax rules that undermine the ability of American financial services industries to compete in the international arena. As you know, creating a more competitive environment is a critical element in aiding in the creation of employment throughout our economy. However, our ability to compete globally is undermined by a tax system that is in dire need of the types of reforms contained in H.R. 4520.

Moreover, Morgan Stanley is pleased that your bill does not contain several troubling revenue-raising provisions present in the Senate-passed version of this legislation. Among those of most concern are provisions changing the tax treatment of settlement costs and modifications to section 911 of the Internal Revenue Code affecting American workers employed abroad. Morgan Stanley does remain concerned, however, about the section in H.R. 4520 on deferred compensation with respect to the timing of deferral elections and hopes to work with you and your staff to address this issue as the measure moves forward.

Thank you again for your leadership on this important international tax measure. Morgan Stanley supports H.R. 4520 and will urge all Members of Congress to vote in favor of the legislation.

Sincerely,

Harvey Mogenson
Managing Director
Global Head of Tax