

FOIA Marker

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National Economic Council

Hogue, Brian

Stack:	Row:	Sect.:	Shelf:	Pos.:	FRC ID:	Location or Hollinger ID:	NARA Number:	OA Number:
W	30	21	9	2	13040	25903	11276	11742

Folder Title:

Warsh federal Home Loan Banks

Withdrawn/Redacted Material

The George W. Bush Library

DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
001	Letter	[Draft Letter] - To: Captain Pollock and Mr. Turbett - From: Stephen Friedman	1	03/13/2003	P5;
002	Letter	[Letter re Death Tax] [page 2 redacted] - To: Polly Logan - From: Andrew Card	1	05/14/2003	P6/b6;
003	Letter	Estate Tax Repeal [Page 1 redacted] - To: Andrew Card - From: Polly Logan	1	04/10/2003	P6/b6;
004	Letter	Administration Policy on the Estate Tax [Page 1 redacted] - To: Polly Logan - From: William Tyler	1	04/08/2003	P6/b6;

COLLECTION TITLE:

National Economic Council

SERIES:

Hogue, Brian - Subject Files

FOLDER TITLE:

Warsh Federal Home Loan Banks [532612]

FRC ID:

13040

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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- B. Closed by statute or by the agency which originated the document.
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Records Not Subject to FOIA

Court Sealed - The document is withheld under a court seal and is not subject to the Freedom of Information Act.

File

WHITE HOUSE STAFFING MEMORANDUM

Date: 3-7-03 1:00 pm ACTION / CONCURRENCE / COMMENT DUE BY: 3-10-03 10:00 am

Subject: LETTER FROM US AIRWAYS RE S. 119

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	HAGIN	<input type="checkbox"/>	<input type="checkbox"/>
CARD	<input type="checkbox"/>	<input type="checkbox"/>	HOBBS	<input type="checkbox"/>	<input type="checkbox"/>
ABBOT	<input type="checkbox"/>	<input type="checkbox"/>	MANKIW	<input type="checkbox"/>	<input type="checkbox"/>
BARTLETT	<input type="checkbox"/>	<input type="checkbox"/>	MARBURGER	<input type="checkbox"/>	<input type="checkbox"/>
BLAKEMAN	<input type="checkbox"/>	<input type="checkbox"/>	MIERS	<input type="checkbox"/>	<input type="checkbox"/>
BOLTEN	<input type="checkbox"/>	<input type="checkbox"/>	MONTGOMERY	<input type="checkbox"/>	<input type="checkbox"/>
BRIDGELAND	<input type="checkbox"/>	<input type="checkbox"/>	POWELL	<input type="checkbox"/>	<input type="checkbox"/>
CONNAUGHTON	<input type="checkbox"/>	<input type="checkbox"/>	RICE	<input type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input type="checkbox"/>	<input type="checkbox"/>	ROVE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FLEISCHER	<input type="checkbox"/>	<input type="checkbox"/>	SPELLINGS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FRIEDMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CLERK	<input type="checkbox"/>	<input type="checkbox"/>
GAMBATESA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
GERSON	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
GONZALES	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

WOULD APPRECIATE YOUR SUGGESTION ON HOW THE HANDLE THE ATTACHED CORRESPONDENCE. PLEASE FORWARD YOUR COMMENTS TO THE STAFF SECRETARY, EXTENSION 62702/FAX 62215, BY 10:00 AM MONDAY, MARCH 10, 2003. THANK YOU.

RESPONSE:

*NRN
OBE
letters not mailed*

Harriet E. Miers
Assistant to the President
and Staff Secretary
Ext. 62702
FAX Ext. 62215



**US AIRWAYS MEC
AIR LINE PILOTS ASSOCIATION, INTERNATIONAL**

ONE THORN RUN CENTER, SUITE 400 □ CORAOPOLIS, PENNSYLVANIA 15108 □ 412-264-5800
FAX 412-264-1508

February 25, 2003

George W. Bush, President
United States of America
1600 Pennsylvania Ave.
Washington, D.C. 20500

Dear Mr. President:

As a pilot for US Airways, I am writing to ask for your support for S.119, the legislation introduced to address the critical pension funding problem that my airline faces as it attempts to restructure under Chapter 11 of the bankruptcy code. S. 119 would provide a special minimum pension funding rule for US Airways, and I urge you to contact the Senate Finance Committee to request prompt consideration of this legislation.

US Airways and its employees have been involved in major restructuring efforts to help our company survive and gain Air Transportation Stabilization Board (ATSB) approval for a \$1 billion federal loan guarantee. The Company and its employees have participated in the US Airways restructuring plan to meet the ATSB's conditions for cost savings and revenue enhancements. Now, through no fault of labor, the ATSB loan approval is in jeopardy because of federal pension funding requirements.

US Airways is facing estimated pension contributions of \$1 billion in 2004 and \$800 million in 2005 for its defined benefit plans. These large obligations did not result from the Company's failure to fund the plan in accordance with minimum legal requirements.

The US Airways pilot pension plan is currently underfunded due to a combination of events: the effects of September 11, 2001, on the economy and aviation industry; the decline of the stock market; and 41-year-low interest rates. These actions and financial events have rapidly created a funding shortfall, and based on US Airways' estimates, it must pay over \$3.1 billion into its retirement plans over the next eight years. Moreover, US Airways was disproportionately impacted by the tragic events of September 11—namely, the effects on our East Coast operation and the prolonged closure of Reagan National Airport.

The pilot group has already agreed to a 33 percent pay cut and significant reductions in our work rules, retirement plan and other benefits, resulting in a savings of \$643 million per year. These concessions actually have reduced the cost of employing a US Airways pilot by nearly 46 percent.

As part of the restructuring, the US Airways pilots have also agreed to significant reductions in the accrual of benefits under the pilots' retirement plan, which effectively freezes the plan for most pilots. This means that a significant percentage of pilots will not accrue any additional retirement benefits while they continue to work for US Airways.

In order to obtain the loan guarantee from the ATSB and to emerge from bankruptcy, US Airways must restructure the pension contributions that would otherwise be required over the next seven years under ERISA and the Internal Revenue Code.

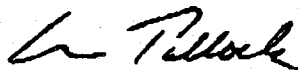
US Airways has already begun taking steps to terminate the pilots' pension plan by March 31, 2003. If the plan is terminated, the benefits that pilots have already earned over many years of service will be slashed dramatically. The result would be that pilots would lose up to 75 percent of their anticipated retirement benefits.

I am asking you to please consider legislation which would treat the US Airways defined benefit plans as if they had been terminated and then restored as of January 1, 2003, with the plans' unfunded accrued liability and unfunded current liability amortized over a 30-year period. The 30-year amortization period is the period currently allowed in the law for plans that are terminated and later restored to their sponsors. Such a 30-year amortization would permit the Company to, in effect, refinance—not eliminate—its funding obligations to the plans. This would allow US Airways to continue to maintain and fund a significantly less expensive retirement plan for its employees.

Enactment of S. 119 would protect the retirement benefits of US Airways pilots who would lose pension benefits that are not guaranteed by the PBGC if the plan is terminated. It also protects the solvency of the PBGC by providing substantial funding for a plan that if terminated, would leave the PBGC with billions of dollars in liabilities that will not be recovered in bankruptcy.

I would be grateful to know that I have your full support in this endeavor. Thank you for considering my views.

Sincerely,



Captain Bill Pollock
Chairman, US Airways MEC



William Turbett, III
Legislative Affairs Committee, US Airways MEC

Gerdelman, Sue H.

From: Torgerson, Karin B.

Sent: Tuesday, November 04, 2003 3:02 PM

To: Gerdelman, Sue H.

Sue, I think I have tracked down the US Airways MEC letter as much as I will be able to. On April 14, 2003, Correspondence sent a copy of it to DPC. There is an entry on April 30, 2003, that says the letter was a duplicate and that NEC had already responded. We have no record of any response, however. I leave it to you what to do next -seems a long time to have not responded. Would it be better to not respond now? Maybe you should check with leg affairs and see if this bill has any chance of moving forward. Not too helpful, but these are my thoughts. Let me know what else I can do.

THE WHITE HOUSE

WASHINGTON

September 30, 2003

Dear Mr. Turbett:

Thank you for your letter regarding your interest in S. 119 and the pension issues facing US Airways and its pilots.

As you are well aware, US Airways terminated its pilot pension plan earlier this year. Many pilots lost benefits when the plan was taken over by the PBGC.

Key to the retirement security of workers and retirees who are participants in defined benefit pension plans are sound funding requirements. We are concerned about legislation that would weaken funding levels in plans that already are significantly under funded and represent additional risks to the pension insurance system and the 44 million Americans it protects. The US Airways pilot pension situation is but one example of how poorly designed federal pension laws can lead to significant problems.

It is often the case that participants in a plan believe that their pensions are better funded than they are. This is because disclosure information required under law does not adequately reflect the actual cost of meeting a plan's liabilities. The Administration this year proposed new disclosure requirements that would inform workers of the true funded status of their benefits.

We look forward to working with all interested parties to develop a program for strengthening pension funding so that fewer workers will be at risk of losing their benefits in the future.

Sincerely,



Charles P. Blahous
Special Assistant to the President
for Economic Policy

William Turbett, III
Legislative Affairs Committee, US Airways MEC
Air Line Pilots Association, International
One Thorn Run Center, Suite 400
Coraopolis, Pennsylvania 15108

THE WHITE HOUSE

WASHINGTON

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Dear Captain Pollock:

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Withdrawal Marker

The George W. Bush Library

FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Letter	[Draft Letter] - To: Captain Pollock and Mr. Turbett - From: Stephen Friedman	1	03/13/2003	P5;

**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the
Withdrawal/Redaction Sheet at the front of the folder.**

COLLECTION:

National Economic Council

SERIES:

Hogue, Brian - Subject Files

FOLDER TITLE:

Warsh Federal Home Loan Banks [532612]

FRC ID:

13040

OA Num.:

11742

NARA Num.:

11276

FOIA IDs and Segments:

2015-0189-F

2015-0190-F

2014-0278-F

RESTRICTION CODES**Presidential Records Act - [44 U.S.C. 2204(a)]**

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NATIONAL ECONOMIC COUNCIL CORRESPONDENCE SHEET

Date: 3-11-03

For: Chuck Blahous

Date due: 3-14-03 (~~10 working days~~)

The attached letter is being sent to you for:

1. Draft response for Steve Friedman signature _____

2. Draft response for Steve Friedman signature on behalf of: POTUS

3. Other: _____

3. For your information _____

You may file in your office or burn bag. _____

Prepared by: Sue Gerdelman Phone: 6-5566

Room 594 Tracking Sheet

SAG Incoming Letters (date stamped, completed tracking sheet attached)

SAG Incoming packet scanned (scan incoming letter only)

SAG Incoming Packet keyed into IQ and distributed

CPB Staff draft returned to Sue

_____ Draft to Keith Hennessey for approval (use KH's blue folder)

_____ Draft prepared for SF signature (close proofreading, print on letterhead)

_____ Final letter to SF for signature (use SF's yellow signature folder)

_____ Signed letter copied and MAILED (make 2 copies if letter NOT addressed to SF)

_____ Signed letter scanned (scan ONLY signed letter – not drafts)

_____ Signed letter keyed closed in IQ

_____ Packet filed in 594 OR file ONLY a copy of final letter in CHRON file and attach 2nd copy to original packet and return to original addressee via inter-office mail.

This letter came directly from Harriet Miers office to Lauren A.



FAX COVER SHEET

Sue Gerdelman
National Economic Council

The White House
Washington, DC 20502
Telephone (202) 456-5566 • Facsimile (202) 456-2223

Date: October 1, 2003

Pages (Including Cover): 4

To: Karin Torgerson

Facsimile: 6-2215

Comments: This letter came directly to our office through Staff Sec.'s office. We lost track of it and now I'm wondering if it was already answered or perhaps handled by a phone call. We're prepared to send a written response if that's the best course of action. Attached is the outgoing letter. We have an identical one addressed to the second signatory. Please advise. Thanks

The document accompanying this facsimile transmission sheet is intended only for the use of the individual or entity to which it is addressed. This message contains information which may be privileged, confidential or exempt from disclosure under applicable law. If you, the reader of this message, are not the intended recipient, employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any disclosure, dissemination, copying or distribution, or taking any action in reliance on the contents of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately at the number above.



**US AIRWAYS MEC
AIR LINE PILOTS ASSOCIATION, INTERNATIONAL**

ONE THORN RUN CENTER, SUITE 400 □ CORAOPOLIS, PENNSYLVANIA 15108 □ 412-264-5800
FAX 412-264-1508

February 25, 2003

George W. Bush, President
United States of America
1600 Pennsylvania Ave.
Washington, D.C. 20500

Dear Mr. President:

As a pilot for US Airways, I am writing to ask for your support for S.119, the legislation introduced to address the critical pension funding problem that my airline faces as it attempts to restructure under Chapter 11 of the bankruptcy code. S. 119 would provide a special minimum pension funding rule for US Airways, and I urge you to contact the Senate Finance Committee to request prompt consideration of this legislation.

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I am asking you to please consider legislation which would treat the US Airways defined benefit plans as if they had been terminated and then restored as of January 1, 2003, with the plans' unfunded accrued liability and unfunded current liability amortized over a 30-year period. The 30-year amortization period is the period currently allowed in the law for plans that are terminated and later restored to their sponsors. Such a 30-year amortization would permit the Company to, in effect, refinance—not eliminate—its funding obligations to the plans. This would allow US Airways to continue to maintain and fund a significantly less expensive retirement plan for its employees.

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I would be grateful to know that I have your full support in this endeavor. Thank you for considering my views.

Sincerely,



Captain Bill Pollock
Chairman, US Airways MEC



William Turbett, III
Legislative Affairs Committee, US Airways MEC

THE WHITE HOUSE
WASHINGTON

May 15, 2003

Dear Representative Toomey:

Thank you for your letter of April 29, 2003 to Steve Friedman regarding the appropriate financial disclosures for the Federal Home Loan Banks. Steve previously asked me to oversee issues regarding government-sponsored enterprises on behalf of the National Economic Council.

Secretary Snow will be responding to the particular concerns you raised on behalf of the Administration, but I appreciate being made aware of your perspectives.

Should you have any questions, please feel free to contact me directly at (202) 456-5584.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Hennessey". The signature is written in a cursive style with a horizontal line underneath the name.

Keith Hennessey
Deputy Assistant to the President for Economic Policy



**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
HOUSING BRANCH**

TO: *Kevin Warsh*

FAX #: *6-2223*

PHONE #"

FROM: Lauren Larson
(202) 395-7189
(202) 395-1307 FAX

PAGES TO INCLUDE COVER:

DATE:

COMMENTS:

**PHONE 202 395-7189
FAX 202 395 1307**

Congress of the United States**Washington, DC 20515****April 29, 2003**

The Honorable John Snow
Secretary of Treasury
1500 Pennsylvania Ave., NW
Washington, D.C. 20220

RECEIVED

The Honorable John T. Korsmo
Chairman
Federal Housing Finance Board
1777 F. Street, NW
Washington, D.C. 20006

MAY 19 2003

National Economic Council

The Honorable Stephen Friedman
Director
National Economic Council
1600 Pennsylvania Ave, NW
Washington, D.C. 20502

Dear Secretary Snow, Chairman Korsmo, and Director Friedman:

We are writing regarding the issue of appropriate financial disclosures for the Federal Home Loan Banks (FHLBanks). We are very concerned about the prospect of forcing FHLBanks to register their capital stock with the Securities and Exchange Commission (SEC) since it may bring unintended consequences. There are alternatives to improving disclosure that would avoid these consequences. We urge you to consider the FHLBanks' proposal that would ensure full and meaningful financial disclosure for the FHLBanks.

This proposal would provide the highest standards of disclosure by ensuring the SEC has a meaningful role in crafting disclosure requirements, without creating dual regulation of the system. The Federal Housing Finance Board (Finance Board) could modify SEC regulations only to correlate to the unique structural and operational traits of the FHLBank System, with public notice of such adoptions required to be published in the Federal Register.

This approach would protect the safety and soundness regulation of the FHLBanks by maintaining the existing oversight of the Finance Board, the agency that has the most expertise and experience with this unique government sponsored enterprise. And finally, it would accomplish all these objectives while avoiding potential dangers, such as market disruptions, increasing the cost of funds, or precipitating structural changes to the FHLBanks.

This plan provides for meaningful financial disclosure without the adverse disruptions that could occur by forcing the FHLBanks under the regulatory structure for public company registration that was never intended to apply to them. As twelve separate cooperative institutions, the FHLBanks do not fit the profile of publicly traded companies whose stock falls under the jurisdiction of the SEC. No FHLBank has ever issued capital stock to the public. Member owners of each FHLBank must purchase stock in order to borrow from that FHLBank. FHLBank stock does not fluctuate in value, may only be redeemed at par, and is not publicly traded.

We urge you to consider the proposal of the FHLBanks to ensure that their investors receive full and transparent disclosure. Thank you for your attention to this very important matter, and we look forward to your response.

Sincerely,

Pat Rooney

Don Solt

Kim Kim

Aren Davis

Walter B. Jones

Michael

Chance

Jodi Carr

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Jarvis Carr

John

Andrea Hunt

Scott Barrett

Janet Kelly

Tim

Tim Murphy

Shelley Moore Capito

Frank D Lucas

Pat Toomey (R-PA), David Scott (D-GA), Peter King (R-NY), Artur Davis (D-AL), Walter Jones (R-NC), Mike Ross (D-AR), Mark Green (R-WT), Julia Carson (D-IN), Jay Inslee (D-WA), Rick Renzi (R-AZ), Melissa Hart (R-PA), Tim Murphy (R-PA), Scott Garrett (R-NJ), Shelley Moore Capito (R-WV), Frank Lucas (R-OK), and Sue Kelly (R-NY).

Congress of the United States

Washington, DC 20515

April 29, 2003

The Honorable John Snow
Secretary of Treasury
1500 Pennsylvania Ave., NW
Washington, D.C. 20220

The Honorable John T. Korsmo
Chairman
Federal Housing Finance Board
1777 F. Street, NW
Washington, D.C. 20006

The Honorable Stephen Friedman
Director
National Economic Council
1600 Pennsylvania Ave, NW
Washington, D.C. 20502

Dear Secretary Snow, Chairman Korsmo, and Director Friedman:

We are writing regarding the issue of appropriate financial disclosures for the Federal Home Loan Banks (FHLBanks). We are very concerned about the prospect of forcing FHLBanks to register their capital stock with the Securities and Exchange Commission (SEC) since it may bring unintended consequences. There are alternatives to improving disclosure that would avoid these consequences. We urge you to consider the FHLBanks' proposal that would ensure full and meaningful financial disclosure for the FHLBanks.

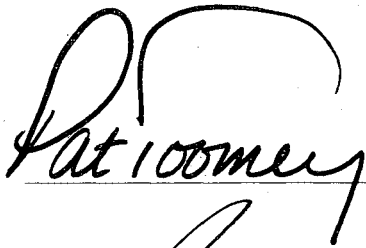
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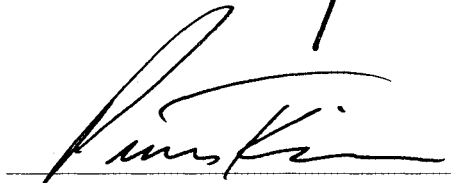
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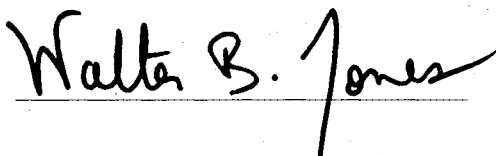
Sincerely,



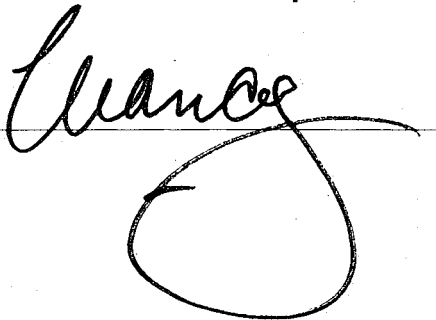
Pat Roomey




Rustin



Walter B. Jones



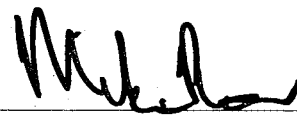
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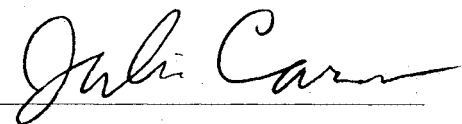
Don S. Smith



Arden Davis



Mike



Juli Carr

J. Holt

Thelma Hunt

Scott Garrett

Juan Kelly

T. G. C.

Tim Murphy

Shelley Moore Capito

Frank D. Lucas

Congress of the United States
House of Representatives
Washington, DC 20515-3815

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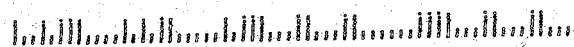
Pat Toomey
M.C.

The Honorable Stephen Friedman
Director
National Economic Council
1600 Pennsylvania Avenue, NW
Washington, DC 20502

MAY - 9 2003



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✓ #153

CC ✓ #001

May 14, 2003

Dear Ms. Logan:

Thank you so much for your letter of April 8th to Secretary Card and for forwarding William Tyler's comments on the abolition of the death tax. Both letters were extremely thoughtful and I enjoyed being made aware of your respective views on the topic.

The President's opposition to the death tax is rooted in the unfairness of the tax and the harm it inflicts on the economy. Owners of estates don't know when the tax will be applied and they don't know how much the tax will be. That's poor tax policy that increases uncertainty in the tax code while draining resources away from businesses, farms, and ranches across the country. The President's proposal would replace this unfairness with a much lower tax (at the capital gains rate) effected when the estate's heirs decide to sell the property. This more civilized approach would be applied only on estates valued at several million dollars or more. Smaller estates would incur no tax liability at all, either at the time of the owner's death or when property is sold by the heirs.

Regarding uncertainty in the tax code, I agree wholeheartedly with Mr. Tyler that the current phase-out of the death tax (and its subsequent reemergence) has created difficulties for families engaged in estate planning. Both the phase-out and the sunset were forced upon this administration by opposition in Congress and arcane Senate rules that required the new policy to expire. This President believes the best means of addressing this uncertainty is to eliminate the tax for good. On average, Congress passes a major tax bill once every 30 months. Leaving the death tax in place will allow future Congresses to tinker and amend the tax as they do all others, which means continued uncertainty for families subject to the tax.

I also agree with your concerns about tax reform. The current tax code is an unnecessary drain on the economy and needs reform. Much the President's tax agenda falls under the category of tax reform, including elimination of the death tax and his proposal to tax corporate earnings once. Both policies would eliminate economically harmful double taxation while reducing rates and making the tax code less biased. Death tax repeal alone will strike an entire subtitle and several hundred pages from the Internal Revenue Code.

Once again, I appreciate your comments and will keep them in mind as we work with Congress to enact permanent death tax repeal and eliminate the double taxation of dividends.

Sincerely,

Andrew Card
Chief of Staff

Ms. Polly Logan

(b)(6)



FAX COVER SHEET

NATIONAL ECONOMIC COUNCIL

The White House

Washington, DC 20502

Telephone (202) 456-5584 • Facsimile (202) 465-0127

DATE: 5/13/03 NUMBER OF PAGES (INCL. COVER): 8
TO: BRIAN REARDON
FROM: LAUREN ALLGOOD
FAX:

COMMENTS:

Per your conversation w/ Keith

The document accompanying this facsimile transmission sheet is intended only for the use of the individual or entity to which it is addressed. This message contains information which may be privileged, confidential or exempt from disclosure under applicable law. If you, the reader of this message, are not the intended recipient, employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any disclosure, dissemination, copying or distribution, or taking any action in reliance on the contents of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately at the number above.

NATIONAL ECONOMIC COUNCIL CORRESPONDENCE SHEET

Date: 4/24/03

For: Brim

Date due: 5/13/03 (10 working days)

The attached letter is being sent to you for:

1. Draft response for Steve Friedman signature _____
2. Draft response for Steve Friedman signature on behalf of: AC
3. Other: _____
3. For your information _____

You may file in your office or burn bag. _____

Prepared by: Sue Gerdelman Phone: 6-5566

Room 594 Tracking SheetIF Incoming Letters (date stamped, completed tracking sheet attached)IF Incoming packet scanned (scan incoming letter only)ZTG Incoming Packet keyed into IQ and distributed

_____ Staff draft returned to Sue

_____ Draft to Keith Hennessey for approval (use KH's blue folder)

_____ Draft prepared for SF signature (close proofreading, print on letterhead)

_____ Final letter to SF for signature (use SF's yellow signature folder)

_____ Signed letter copied and MAILED (make 2 copies if letter NOT addressed to SF)

_____ Signed letter scanned (scan ONLY signed letter – not drafts)

_____ Signed letter keyed closed in IQ

_____ Packet filed in 594 OR file ONLY a copy of final letter in CHRON file and attach 2nd copy to original packet and return to original addressee via inter-office mail.

532612
FG006-03A

FA



**CHIEF OF STAFF TO THE PRESIDENT
THE WHITE HOUSE**

Andrew H. Card, Jr.
Phone: (202) 456-6798
Fax: (202) 456-1907

DATE: Monday, April 21, 2003

TO	ACTION REQUESTED
Stephen Friedman (NEC) WW	Draft response to be sent by Chief of Staff

NOTES

PREPARED BY

Melissa Bennett ... (202) 456-7256

SCANNED
BY
ORM

532612

Polly Logan

RECEIVED

APR 29 2003

April 10, 2003

National Economic Council

Hon. Andrew Card
Chief of Staff
1600 Pennsylvania Ave., NW
Washington, DC 20500

Re: Estate Tax Repeal

Dear Andy:

I am beginning to hear from a number of people in these parts about the administration's policy and perspective on tax matters and particularly the estate tax. My contacts are almost unanimous in their feeling that the death tax should be resolved now and that the President should not hold out for a total repeal which it is quite clear he is never going to get. These folks resent having everything left up in the air as to their personal estates and having to pay lawyers and accountants so much money to deal with problems they feel the administration is creating unnecessarily.

I would be grateful if you would take the time to review and reflect on the enclosed letter to me from my friend, Bill Tyler, in Boston who has for a number of years been involved with local tax policy and has coordinated successful efforts to eliminate the Massachusetts estate tax and to reduce the tax on unearned income. Mr. Tyler is the senior member of the firm of Rackemann, Sawyer & Brewster where your friend, Albert Fortier, is also a partner.

It seems to me that Mr. Tyler persuasively makes the case for leaving the tax in place and instead providing significant and expeditious relief to the prosperous, but by no means super rich, middle-class. These people, who are by a very large majority the principal supporters of the Republican party agenda, have hitherto been disproportionately impacted by this burdensome tax. For the reasons he outlines, such a solution would not only benefit these deserving people but would seemingly best serve the overall interests of our society.

While many of our most dedicated Republicans may not necessarily share Mr. Tyler's views on the subject, there is a practical aspect to it which I feel must be taken seriously.

(b)(6)

Mr. Andrew Card
April 10, 2003
Page 2

I would also like to make this letter an appeal for meaningful efforts to be started at once to simplify the tax code. This abominable apparatus has been an imposition on those in our society who are paying the freight. It seems the least we can do for these citizens is to enable them to meet their obligations to government without the penalty of very expensive accounting and legal fees.

The purpose of my writing you is to ask if it could be arranged for Mr. Tyler and his group to have some effective access to the President's tax policy people to be sure this point of view will be represented in their deliberations.

All best wishes,

Sincerely,

Polly
Polly Logan

PL/WBT/bjp

cc: William B. Tyler

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William B. Tyler, Esq.
One Financial Center
Boston, Massachusetts 02111-2659
Telephone: (617) 951-1145
Fax: (617) 542-2300

April 8, 2003

Ms. Polly Logan
Vice Chair
Massachusetts Republican Party

(b)(6)

Re: Administration Policy on the Estate Tax

Dear Polly:

When we spoke on the phone last week about federal tax issues, I expressed my concern that, as the President has moved forward with his characteristic vigor to convert his tax relief program into permanent law, he has found himself seriously at odds with the coalition of moderate republican senators, mostly in the northeast, who are expecting him to reach out and accommodate some of their views.

One issue of concern is the administration's efforts to abolish totally the estate tax, which more than any other, symbolizes Republican determination to favor the very wealthy. By taking this stance, he is working a considerable injustice on the people who are only moderately well off (and this describes the majority of our clients who are often elderly) because the significant uncertainties which exist under current law have them burdened with high legal and accounting expenses and a clouded view of the future.

The cleanest solution, as I stated to you when we discussed this matter, is to act at once to raise the exemption level generously and otherwise to leave the tax in place. By drawing such a line between the merely well-to-do and the super wealthy, well over 90% of the presently taxable estates would become exempt. Yet under this arrangement, the government will still preserve over 50% of the revenues that the tax presently brings in. These facts are all spelled out in a recent article in the Wall Street Journal (copy enclosed).

The proposal that the exemption level be raised would also avoid another serious problem presently imbedded in the administration's program, which is called "carryover basis" and which will eliminate the step-up in cost basis of estate assets which presently occurs at death. This means that all appreciation in the value of an asset which accrued during a deceased taxpayer's

Ms. Polly Logan
April 10, 2003
Page 2

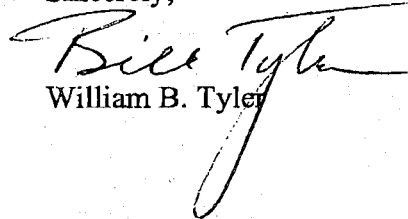
lifetime will be taxed when it is ultimately sold by his successors. As most lawyers and accountants will readily affirm, when this ploy was tried on a previous occasion it was shortly abandoned because the record-keeping obligations were found to create an administrative nightmare for taxpayers.

If there is one thing that all of our taxpayers are yearning for, and these are the folks who pay the freight, it is to have our revenue laws simplified. From every practical point of view, the estate tax situation cries out for the simple solution of raising exemptions without completely eliminating the tax. As I noted, a generous exemption would relieve virtually all of the "farmers and small businessmen" that the administration is committed to protecting. We would urge that the issue be dealt with in the current session as part of the process of resolving other tax matters.

While on the subject of tax reform, I also mentioned to you my suggestion of compromising the president's dividend exemption proposal by having all dividends taxed at the same rates as capital gains. This arrangement would give some meaningful relief to stockholders in a clear and simple way. They are entitled to expect that the compromise which is now clearly in the making will not result in a frustrating mish mash of rates and exclusions which will only put further burdensome and expensive reporting requirements on our tax payers.

I hope that your willingness to forward this letter to Andy Card will actually receive some attention.

Sincerely,



William B. Tyler

WBT/bjp
Enclosure

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Tax Report / By Tom Herman W.S.J. MARCH 03

Outlook for Estate-Tax Repeal In Congress This Year Dims

EFFORTS TO KILL so-called death taxes appear to be on life support.

Business groups insist they haven't given up hope of repealing federal estate taxes permanently. But they clearly face an uphill struggle this year against a backdrop of rising war costs, mounting budget deficits, a sputtering economy and stiff congressional opposition.

While the House is likely to vote for permanent repeal, the campaign is likely to bog down in a Senate quagmire. "I would put the chances of permanent estate-tax repeal at close to zero," says Joshua S. Rubenstein, head of trusts and estates at law firm KMZ Rosenman.

Thus, some lawyers joke that the best advice for wealthy people boils down to this: Don't get caught dead in 2003. Even if Congress takes no action this year, major relief lies ahead on Jan. 1, 2004. And if you're really intent on escaping taxes, lawyers quip that you should try to keep breathing until 2010, when the estate tax goes away entirely for a single year.

Under existing law, the basic estate-tax exclusion, now \$1 million per person, is scheduled to jump to \$1.5 million in 2004, a 50% increase. The basic exclusion is set to remain \$1.5 million in both 2004 and 2005. Then, it's scheduled to rise to \$2 million in 2006 through 2008, \$3.5 million in 2009 and zero in 2010.

The top tax rate, now 49%, is scheduled to decline in stages: It's set to drop by one percentage point each year until it hits 45% in 2007 through 2009. Then it's supposed to tumble to zero in 2010.

But at the end of 2010, the law expires. Then, the estate tax magically springs back to life in 2011—unless Congress overhauls it first. Hence, all the lawyer jokes about urging wealthy people to continue inhaling until Jan. 1, 2010.

There are actually some steps you can take to minimize your estate-tax bill amid so much uncertainty. First, consider making regular tax-free gifts to reduce the size of your estate. Under current law, you can give away as much as \$11,000 a year to anyone you want, or to as many people as you want. There's no limit on how many recipients you may choose. Those recipients don't even have to be related to you.

And there's a technique available to give away even more than the annual limit: Pay someone else's medical or education bills. Those payments don't count toward the annual limit. Just be sure to make those payments directly to the medical or educational institution.

"Wealthy people should assume there is going to be a significant estate tax when they die," says Don Weigandt, managing director of the J.P. Morgan Private Bank in Los Angeles, a unit of J.P. Morgan Chase & Co. He urges clients "to be thinking about moving wealth off their balance sheets to their heirs," using such techniques as interfamily loans that avoid gift tax.

The outlook for estate-tax changes has been darkening in recent weeks as lawmakers focus on President Bush's economic-stimulus proposals. Even enthusiastic supporters of overhauling the estate tax now acknowledge the extreme difficulty of getting anything significant accomplished this year. Congressional critics of the Bush proposal to repeal estate taxes forever argue that permanent repeal would amount to a needless giveaway to a tiny group of billionaires and multimillionaires who could easily afford to pay the tax.

One possible compromise would be to raise the \$1 million exclusion to \$5 million, or higher, this year. That would eliminate the tax completely for nearly everyone, while leaving it in place for the super-rich—a number of whom are strongly opposed to total repeal anyway. Among them are Bill Gates Sr. (father of the Microsoft executive), actor Paul Newman and financier George Soros.

IRS statistics show that the government received about 52,000 taxable estate-tax returns in 2000. Of those, only 3,621 represented estates valued at \$5 million or more. Only 1,363 were for estates of \$10 million or more.

Advocates of total repeal reply that merely raising the exclusion isn't enough. Repealing the tax permanently would make it much tougher to revive the tax in future years. And raising the exemption level would be risky because

what Congress raises, it could later reduce. Also, repeal would remove uncertainty and eliminate estate-planning costs.

"If we don't get it [permanent repeal] done this year, we don't see that as a defeat," says Dena Battle, manager of legislative affairs at the National Federation of Independent Business, which represents about 600,000 small businesses around the nation. "Our goal is to make sure it's repealed during this Congress," which means this year or next year.

* * *

Who Pays It

The IRS received about 52,000 taxable estate-tax returns in 2000. Here is a breakdown of those returns by the size of the estate and the amount of estate tax owed.

SIZE OF GROSS ESTATE	NUMBER OF ESTATES	ESTATE TAX (BILLIONS)
\$600,000 - \$1 million	3,621	\$0.7
\$1 million - \$2.5 million	2,327	\$5.5
\$2.5 million - \$5 million	597	\$5.1
\$5 million - \$10 million	258	\$4.4
\$10 million - \$20 million	84	\$2.9
\$20 million or more	549	\$5.7

Source: IRS