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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

WASHINGTON, DC 20510-6350

PATRICIA R. FORBES, MAJORITY STAFF DIRECTOR AND CHIEF COUNSEL
EMILIA DI SANTO, REPUBLICAN STAFF DIRECTOR

July 23, 2002

BY FACSIMILE
ORIGINALS BY U.S. MAIL

Ms. Pamela Olson
Acting Assistant Secretary for Tax Policy
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

The Honorable Charles O. Rossotti
Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224

Dear Acting Assistant Secretary Olson and Commissioner Rossotti:

The 2002-2003 Priority Guidance Plan recently released by the Department of Treasury and the Internal Revenue Service (IRS) includes a number of issues that are important to small businesses. In particular, I am extremely pleased that you have included my request for guidance under section 280F of the Internal Revenue Code (the Code) regarding the depreciation of light trucks and vans.

Section 280F(d)(5)(B)(iii) of the Code has long provided the Treasury Department with the authority to exempt any truck or van from the limitation on depreciation deductions otherwise imposed on businesses under section 280F(a). Your decision to provide such guidance is indeed welcome news to small firms across the nation.

As the Ranking Member of the Senate Committee on Small Business and Entrepreneurship, I continue to hear from small businesses and their trade associations that the general limitation on depreciation under section 280F(a) imposes a significant economic burden on small enterprises that rely extensively on the use of business vehicles to make sales calls and transport products and samples. As a result, these small businesses are forced to give up a significant portion of the depreciation deduction on their vehicles, which adversely affects their cash flow and financing requirements.

In developing the guidance on light trucks and vans, I urge you to keep two issues in mind. First, the exemption needs to be as simple and straight forward as possible. American taxpayers, and small enterprises in particular, are already struggling with a tax code dubbed an "abomination," in large part because of its complexity. This guidance is a great opportunity to

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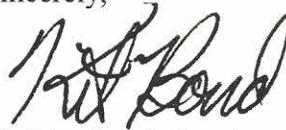
turn the tide toward simplicity and away from the complicated and often incomprehensible rules that abound in the Code today.

Second, please consider adopting a rule that will cover as many light trucks and vans used in business as possible. A broad rule will benefit more small firms by eliminating the depreciation limitations, burdensome calculations, and record keeping imposed by section 280F. Moreover, a broad-based exemption will enhance its simplicity if small enterprises do not have to wrestle with a long list of narrow requirements in order to qualify.

Again, thank you for making guidance under section 280F a priority. I believe it holds great potential to help small businesses struggling to survive the current economic downturn, and a broad-based exemption has the added benefit of providing an incentive for business taxpayers to purchase new trucks and vans. From both perspectives, this guidance can help achieve the goal of moving the economy back into a period of sustained growth.

If you have any questions or need additional information, please do not hesitate to contact me or have your staff call Mark Warren, my Tax Counsel on the Committee on Small Business and Entrepreneurship, at 202/224-

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Bond", written in a cursive style.

Christopher S. Bond
Ranking Member