June 11, 2009

The Honorable Max Baucus
Chairman, Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Charles Grassley
Ranking Member, Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Charles Rangel
Chairman, House Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Dave Camp
Ranking Member, House Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Dear Congressmen,

On behalf of the 5,000 members of the Independent Community Bankers of America I thank you for all you are doing on the tax policy front to boost our economy during these challenging times. To that end, I urge you to oppose a Treasury proposal which would hurt community banks, their employees, shareholders, and customers by altering the tax burden imposed on corporate owned life insurance (COLI), also known as bank owned life insurance (BOLI).

BOLI has long been an important tool used by our members to protect jobs and provide employee benefits including retirement plans. Banks and their small business customers are under great duress from the financial crisis, capital crunch, and deep recession. The proposed BOLI alterations would only make things worse.

BOLI is widely and properly used by community banks under strict guidance from regulators and is a particularly important during the current financial crisis. Bank regulators support BOLI — the Office of the Comptroller of the Currency; the Board of Governors of the Federal Reserve System; the Federal Deposit Insurance Corporation; and the Office of Thrift Supervision — have identified life insurance as an appropriate means for banks to protect against financial loss associated with the death of key persons and to finance employee benefit plans. It provides a stable financing tool that is ideally suited to long-term employee benefit funding. It makes employee benefits more secure and the financial institutions healthier by ensuring proper assets to meet liabilities.

The Treasury's proposed tax increase on COLI/BOLI would do very significant damage to community banks, employees, shareholders and depositors. The rationale advanced by the Treasury Department for the proposal — that somehow businesses can end-run around rules that largely prevent deductible interest expense associated with COLI — is unfounded. ICBA-backed legislation enacted in 2006 reaffirmed the tax treatment of COLI so long as it was used in concert with the best practices codified in the Pension Protection Act. Treasury presented no evidence for concern and none has been found in careful regulatory oversight.

In difficult times like these, ICBA members need support, not punitive new taxes such as the one Treasury proposed on COLI that would jeopardize a proven tool that enables us to serve our communities.

We appreciate your assistance on this important issue.

Sincerely,

/s/

Camden R. Fine
President and CEO

INDEPENDENT COMMUNITY BANKERS of AMERICA The Nation's Voice for Community Banks®
1615 L Street NW, Suite 900, Washington, DC 20036 ▪ (800)422·8439 ▪ FAX: (202)659·3604 ▪ Email: info@icba.org ▪ www.icba.org