

Dear Senate Finance Committee members,

We are a closely held, manufacturing S Corporation located in the New Orleans area. Approximately 40% of our \$200 million in sales are exported annually. As such over the years, we have benefited from the FSC and EIE tax legislation.

In response to WTO restrictions, we understand that Congress had to eliminate the FSC and EIE benefits.

To the contrary, the WTO has not protested any tax benefits related to the IC-DISC. However, the proposed Technical Corrections Act of 2006 contains a provision that would increase the tax rate on IC-DISC qualified export income for small business exporters from 15 percent to 35 percent. Specifically, dividend income from an IC-DISC paid to its shareholders would be taxed at 35% vs. 15%. This is an important tax incentive for small business exporters like Laitram and elimination of it comes at a particularly difficult time for small businesses operating in the New Orleans area. Since Hurricane Katrina, costs of doing business in the New Orleans area have significantly increased in several areas including labor, insurance, and utilities to name a few. This incentive provides a much needed tax benefit that would significantly help Laitram's cash flow by decreasing shareholder tax distributions required to meet shareholder tax liabilities on Laitram's S Corporation net income.

We are aware that the domestic manufacturing deduction was added as an incentive in 2005 to supplement the loss of FSC and EIE benefits. However, the domestic manufacturing deduction provides only a fraction of the benefit that the FSC and EIE legislation have provided to exporters. In fact, if there is concern that there is duplication of benefits for small exporters with the manufacturing deduction and the IC-DISC benefit, we would support legislation that would let exporters choose between either participating in the IC-DISC or the domestic manufacturing deduction.

Why would Congress voluntarily choose to eliminate the IC-DISC benefit when the WTO has not voiced any complaints against this small business tax incentive? We respectfully request that Congress leave the IC-DISC legislation as is with no change to the current 15% dividend rate on IC-DISC dividends.

Congress has typically been supportive of export incentives and there is no reason that this incentive be voluntarily eliminated for small business exporters.

Please support us on this issue by eliminating the proposed Technical Correction that would increase the IC-DISC dividend rate to 35%.

If you have any questions, please email or contact me at 504-570-1221 or Deanne Raymond, Director of Tax/International, at 504-570-1490.

Sincerely,

James M. Lapeyre, Jr.
President
Laitram, LLC