

Dear Senator XXX

I am writing to encourage you to support the Net Operating Loss (NOL) Carryback Act (S.823) introduced by Senators Olympia Snowe and Max Baucus.

S. 823 would extend the net operating loss (NOL) carryback window from two years to five years for 2008 and 2009. Providing this extended window would be of great benefit to my bank, as well as many other sectors of the economy.

Allowing banks to carry back losses incurred in tax years 2008 and 2009 is consistent with the existing tax policy goal of smoothing the application of taxes over the long term by allowing companies that would otherwise utilize losses in the future under the current carry forward rules to apply those losses against taxable income over the last five years. The change would accelerate the tax use of the losses at a time when they can be of most benefit to companies and the economy. Extending the NOL carryback window will provide banks with liquidity that will be used to hire employees, reduce debt, increase lending, or invest in capital improvements.

Of additional importance to the banking system is that extending the NOL carryback will improve the capital position of banks, as it relates to the calculation of their Tier 1 capital ratio. This capital ratio is important to regulators, investors, and borrowers because it is used to determine the financial strength of lending institutions. Healthier banks, as measured by Tier 1 capital, will in turn engage in more productive banking activity and generate more confidence in the financial system.

In addition to supporting an extended NOL carryback window, we encourage you to contact the sponsors of this legislation and ask them to remove the TARP/CPP exclusion included in the legislation.

S. 823 currently excludes companies that have received TARP or Capital Purchase Program (CPP) funds from utilizing the NOL carryback extension. The intention of TARP and CPP was to stimulate new lending and to provide healthy, well-run banks with capital to weather the economic storm. H.R. 2452 sends a bad signal to any strong, viable bank that any involvement by the government in the business of private enterprise brings with it significant risk and costs.

My bank has participated in the CPP program we would be put at a competitive and capital disadvantage if S.823 becomes law as introduce because it excludes CPP recipients from the extended NOL carryback window.

Additionally, it is important to point out that roughly 600 financial institutions have participated in TARP or CPP. These banks represent every sector of the industry, from community banks like mine up to and including nationwide institutions. In order to participate in the CPP banks had to be deemed healthy and viable. Another important fact to consider is that nearly 40 banks have been approved to re-pay their TARP/CPP funds. In all of these cases the banks returned more money to the federal government than they originally received.

Thank you for your consideration of our request to support S. 823 and ask the sponsors to remove the TARP/CPP exclusion. If you have any questions please do not hesitate to contact me.