

Congress of the United States
House of Representatives
Washington, DC 20515
January 29, 2008

Protect Consumers and Finance the Nation's Priorities

Dear Colleague:

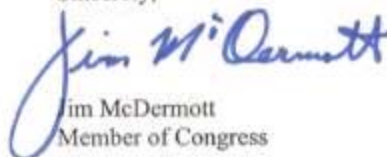
Before us is a tremendous opportunity to protect consumers and recoup billions of dollars that should be collected by the Internal Revenue Service (IRS). I urge you to cosponsor H.R. 2607, the Internet Gambling Regulation and Tax Enforcement Act.

U.S. law currently aims to prohibit Americans from gambling over the internet. Attempting to govern what adults choose to do online is very difficult. As a result of the prohibition on internet gambling, some gamblers are electronically moving their money offshore to use foreign-devised schemes that enable online wagering. The entities facilitating these transactions are free from U.S. regulation and taxation. Because online gambling is illegal, U.S. taxpayers do not report their winnings to the IRS, costing the U.S. Treasury billions of dollars in uncollected revenue. Instead of this ineffective attempt to prevent adults from gambling over the internet, we need a more sensible approach to protect consumers and ensure that revenues that now flow offshore stay here in the U.S. and are therefore subject to taxation. HR 2607 and HR 2046 would regulate internet gambling to make it safe for American consumers, and ensure that tax revenue that is currently forgone is collected.

Preliminary revenue estimates in an analysis of H.R. 2607 and Chairman Barney Frank's complementary bill, H.R. 2046, prepared by PricewaterhouseCoopers, indicate that regulating internet gambling could reclaim and generate between \$8.7 billion to \$42.8 billion over the first ten-year period. These are revenues that are desperately needed, given that we are at war and face difficulty financing the nation's priorities. To be clear, these are not mostly *new* taxes – the bulk of the revenues generated would come from taxes required under existing law. This is simply a framework to collect taxes on existing activity that is currently unregulated, unsupervised, and underground.

A new, safer, more sensible approach is needed to regulate internet gambling and protect consumers. If you have any questions or wish to sign onto HR 2607, please contact Jayme White of my staff at 5-3106.

Sincerely,


Jim McDermott
Member of Congress