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BAUCUS EXAMINES PROPOSED BANK TAX TO PAY BACK TARP LOSSES

Finance Chairman questions TARP Inspector General on success of the TARP program, efforts to recover losses

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today discussed the success of the TARP program in stabilizing our economy during the financial crisis and the status of efforts to repay losses from the TARP program with Special Inspector General for the Troubled Asset Relief Program (TARP) Neil Barofsky. Baucus convened a Finance Committee hearing with Barofsky to inform the Committee’s consideration of policy options to recover TARP funds that may not be repaid, including the Obama Administration’s proposed fee on large financial institutions, commonly referred to as the bank tax.

“The financial crisis of 2008 spread through our entire economy, costing more than eight million jobs and causing more than six million foreclosures and three million bankruptcies. The U.S. Treasury acted boldly and quickly to keep our financial system from complete collapse with the TARP program,” Baucus said. **“Now, we need to think about how we are going to get the TARP money used to stabilize our economy back on behalf of American taxpayers. As we consider a bank tax and other options for recovering TARP funds, we need to understand the best approach to designing a bank tax, to whom it should apply, and how it might affect the economy and the markets. We also need to understand how to prevent a bank tax from being passed on to consumers, and how the bank tax might affect lending to small businesses.”**

Today’s hearing was the first in a series of Finance Committee hearings to consider the proposed bank tax and other options for recovering TARP losses on behalf of American taxpayers. As part of his consideration of the proposed tax, Baucus questioned Barofsky on which financial institutions received TARP funds, what funds have been repaid, what funds will not be repaid and why. Baucus also repeatedly stressed the need to ensure our economic recovery efforts are working for American small businesses and questioned Barofsky on the best ways to increase lending to small businesses.

Baucus also called today’s hearing to examine the Quarterly Report to Congress from the Inspector General’s office, released today. The report finds that there are clear signs the financial system is largely on the path toward recovery, and that many large banks who received TARP funds have returned to profitability and have been able to repay the TARP program far sooner than anticipated.

Baucus was instrumental in creating the office of the TARP Inspector General to report to Congress and the American people and hold the Treasury and TARP recipients accountable for how TARP money was spent. In addition to the Quarterly Report published by the Inspector General, Baucus has requested a report on the extent of Treasury’s involvement in the operation of private corporations it has invested in, such as automobile manufacturers, and what mechanisms are in place to balance government

oversight with corporate needs and ensure a timely end to government involvement. Baucus pressed Barofsky for an update on that report, requested in June 2009, at today's hearing and highlighted the success and importance of the independent Inspector General in ensuring transparency and accountability within the TARP program for American taxpayers.

Baucus also requested an informational pamphlet from the Joint Committee on Taxation (JCT) regarding the proposed bank tax for today's hearing. The JCT pamphlet is available at:
<http://finance.senate.gov/imo/media/doc/backgroud%20and%20issues%20related%20to%20the%20ad%20ministration's%20proposed%20tax%20on%20financial%20institutions.pdf>.

The complete TARP Inspector General Quarterly Report to Congress is available at:
http://www.sig tarp.gov/reports/congress/2010/April2010_Quarterly_Report_to_Congress.pdf.

Watch today's hearing and view witness testimony at:
<http://finance.senate.gov/hearings/hearing/?id=bc66e07e-5056-a032-5230-8f0a007f3611>.

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