

May 1, 2017

The Honorable Rex Tillerson
Secretary of State
U.S. Department of State
2201 C Street, NW
Washington, DC 20520

Dear Secretary Tillerson:

On behalf of the over 400 member companies of the Professional Services Council (PSC), we write to urge you to act promptly to ensure legal and economic protections for U.S. contractors operating in Iraq. This matter is already hampering the fight against ISIS in Iraq.

Specifically, the Government of Iraq (GOI) is unfairly and improperly requesting tax payments from those U.S. contractors and their employees providing direct, on-the-ground assistance in Iraq to the U.S. Foreign Military Sales (FMS) program and the mission to defeat the Islamic State. There are four key reasons not to support or permit these payments.

First, U.S. companies that have U.S.-based contracts with the Defense or State Departments already pay income taxes on the same contract revenues in the United States.

Second, since most employees of these U.S. contractors are not permanent residents or citizens of Iraq, and nearly all of them live in protected compounds, they would receive no benefits in exchange for having to make personal tax payments to the GOI.

Third, even if such taxes were to be permissible under current or future agreements, the Iraqi tax system lacks the transparency and rigor to collect and analyze properly the complex corporate financial data. As a result, taxes would not use a methodology recognized by the IRS for the purpose of calculating U.S. foreign tax credits.

Finally, the GOI lacks uniformity in how it is attempting to apply its tax laws to U.S. contractors, creating the potential for corruption.

The diplomatic note signed by the U.S. and Iraqi governments on June 22, 2014, reauthorizing U.S. forces in Iraq, does not address tax exemption and other appropriate protections for U.S. contractors. As a result, they operate in Iraq today without the legal or economic protection of any current diplomatic agreement, making Iraq the only unstable conflict zone in the world where U.S. contractors and their employees have no legal tax protections. This puts U.S. companies and their employees supporting the Iraq security mission at risk.

This situation is causing detrimental operational impacts. In attempts to force payment, the GOI has denied work visas to key contractor staff. More importantly, the GOI has held up shipments

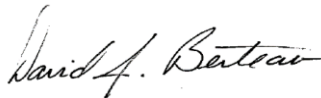
of food, fuel, and water bound for U.S. troops and has threatened to stop supply deliveries altogether. This presents a direct threat to the U.S Government's mission in Iraq.

To its credit, the Department of State has already been addressing a similar issue with regard to the Government of Afghanistan, with strong support from the Congress. PSC has worked closely with your representatives in Washington and Kabul on these actions, and we are ready to do the same with regard to unwarranted taxes in Iraq.

The opportunity for action is now, either through an updated diplomatic note with the Government of Iraq, through an exchange of letters, or through the negotiation of a new Status of Forces (SOFA) agreement. Without intervention, this problem will only grow worse with time. American companies responsible for providing support to U.S. troops and coalition partners in Iraq cannot and should not be left to pay taxes to the Iraqi government when supporting U.S. Government contracts.

Thank you for your attention to this important matter. We would be happy to meet with you or your designated staff representatives to answer any questions or provide any additional information or assistance that is needed.

Respectfully yours,

A handwritten signature in cursive script that reads "David J. Berteau".

David J. Berteau
President and CEO

cc: Ambassador Stuart Jones, Acting Assistant Secretary, Bureau of Near Eastern Affairs
Brett McGurk, Special Presidential Envoy for the Global Coalition to Counter ISIS
Joseph Pennington, Deputy Assistant Secretary for Iraq