

May 31, 2018

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

Dear Secretary Pompeo:

On behalf of the nearly 400 member companies of the Professional Services Council (PSC), I am writing to congratulate you on your confirmation as U.S. Secretary of State and to ask that you prioritize and act promptly on an issue impacting the U.S. Government contractor community working in Iraq.

As you well know from your prior experience, contractors have provided essential support for deployed forces and U.S. allies and partners in conflict zones around the world, putting their own lives on the line alongside our military. Currently, contractors assisting U.S. military and diplomatic personnel in Iraq are not provided the same economic protections that contract personnel receive in similar regions around the globe.

Specifically, the Government of Iraq (GOI) is increasingly successful in its unfair, improper, and inconsistent demand for tax payments from those U.S. contractors and their employees, who are there solely to provide direct, on-the-ground assistance to the anti-ISIS and foreign military sales missions in Iraq. This serves as a backdoor way for the Iraqi government to receive millions of dollars at the expense of the U.S. taxpayer in the form of U.S. tax credits or direct contract reimbursements with no Congressional oversight. Not only does this situation provide unearned income for the GOI, it diverts funds needed for security and unfairly penalizes contractors who also pay U.S. taxes, regardless of whether the government reimburses them for their costs or not.

Unfortunately, this is not a new issue. I wrote a similar letter to your predecessor last year, and his response did not address the issue, which has since become worse. Both letters are attached for your review. The GOI continues to increase pressure on U.S. contractors to pay taxes that began in 2014, the start date of the diplomatic note that was signed with protections for U.S. Government personnel but without such protections for all U.S. Government contractors.

In addition, the evolving situation in Iraq, including the recent election and the Iraqi government's retaking of Mosul and other ISIS territory, create a requirement to reset the U.S.-GOI relationship and thus a new opportunity for the U.S. Government to fix this problem. We are specifically asking that you intervene expeditiously with your Iraqi counterparts to remedy these unfair payment demands, for four key reasons:

First, U.S. companies that have U.S.-based contracts with the Defense or State Departments already pay income taxes on their 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 receive no benefits in exchange for having to make tax payments to the GOI.

Third, the Iraqi tax system lacks the transparency and rigor to collect and properly analyze complex corporate financial data. As a result, the Iraqi General Commission for Taxes does not use a methodology recognized by the IRS for the purpose of calculating U.S. foreign tax credits.

Finally, the GOI's tax collection efforts create the potential for corruption, in part through a lack of uniformity in their application to U.S. contractors.

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. This puts U.S. companies and their employees supporting the Iraq security mission at constant risk, with no offsetting benefit to U.S. national security interests.

This interferes with contractors' ability to execute their tasks and support U.S. forces and our allies. In attempts to force payment, the GOI has denied work visas to key contractor staff; has held up shipments of food, fuel, and water bound for U.S. troops; and, most importantly, has threatened to stop supply deliveries altogether. This presents a direct threat to the U.S. Government's missions in Iraq and the region.

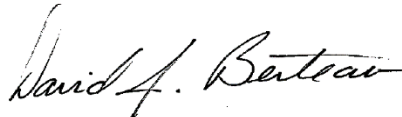
Iraq is not the first place we have seen this problem. To its credit, the Department of State has long been addressing a similar issue with regard to the Government of Afghanistan, with strong support from the Defense Department and the Congress. PSC has worked closely for years with your representatives in Washington and Kabul on these actions, and we want to do the same with regard to these unwarranted taxes in Iraq.

From my time in DoD, I know that there are multiple avenues that the State Department and the U.S. Government can take on behalf of American companies, including an updated diplomatic note with the Government of Iraq, an exchange of letters, or as part of the negotiation of a new agreement, perhaps even a Status of Forces Agreement (SOFA).

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 black ink that reads "David J. Berteau". The signature is written in a cursive, flowing style.

David J. Berteau
President and CEO

Attachments: As stated.