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February 3, 2012

Dear Representative:

On behalf of the 1.6 million members of the American Federation of State, County and Municipal Employees (AFSCME), I write to urge you to support H.R. 3840, the Narrowing Exceptions for Withholding Taxes (NEWT) Act. The legislation, introduced by Representative Pete Stark, would strengthen Medicare. The NEWT Act would close a loophole that allows high-income self-employed individuals to evade paying their fair share of Medicare payroll taxes by misclassifying their wages as profits or dividends.

The NEWT Act would save taxpayers about \$11.2 billion over ten years. The bill would tamp down on the rampant underreporting of wage income among high-income employee-shareholders of S corporations.

While the House GOP leadership has promoted proposals that would shift costs on to Medicare beneficiaries and raise the age of Medicare eligibility as a way to reduce the deficit, this proposal offers a sensible and fair approach to improve Medicare's solvency and ensure those making millions contribute their share to fund Medicare.

We urge you to cosponsor H.R. 3840, the NEWT Act.

Sincerely,

Charles M. Loveless  
Director of Legislation

CML:lbm

**American Federation of State, County and Municipal Employees, AFL-CIO**

TEL (202) 429-1000 FAX (202) 429-1293 TDD (202) 659-0446 WEB www.afscme.org 1625 L Street, NW, Washington, DC 20036-5687