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## United States Senate

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June 25, 2020

The Honorable Steven Mnuchin  
Secretary  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Secretary Mnuchin,

Thank you for your continued work on behalf of America's taxpayers. I am especially appreciative of the Administration's support for Iowa's small businesses impacted by the coronavirus pandemic.

The shutdown of much of our nation's economy was necessitated by China's cover-up of the initial outbreak and lack of actions to contain its spread. These deliberate actions have cost the lives of more than 120,000 Americans. It has also caused economic damage, some of which is irreparable, such as the loss of family owned businesses and the addition of trillions of dollars of debt.

Even with our deep political differences with the country's communist regime, we do share a mutually beneficial trade relationship that serves the people of both nations well, that is when the Chinese government lives up to its end of the bargain. Despite agreements made in the phase-one trade deal reached in January, state-run companies have canceled some purchases of soybeans and pork from the U.S. This is unacceptable, especially after the damage already caused to our economy by the Chinese government's mishandling of the coronavirus outbreak.

It is important that both sides at the negotiating table are aware of the benefits reaped from our relationship when everyone keeps their word.

The Department of Treasury maintains a monthly accounting of major foreign holders of U.S debt that serves as a great reminder of the more than \$1 trillion we are in debt to the Chinese.<sup>1</sup>

What is not as transparent is how much China profits from our red ink, both in terms of dividends paid on the interest off of Treasury bonds and a special loophole that exempts those profits from taxation. If its government-owned industries were treated the same as a U.S. citizen or small business, China would be required to pay taxes on the interest earned on the Treasury bonds that our government sells as a way to borrow money. Due to a decades old trade deal, however, China pays no tax on U.S. Treasuries, which allows it to make off with billions of dollars that would otherwise be owed to the U.S.

<sup>1</sup> "Treasury International Capital (TIC) System." *U.S. Department of the Treasury*, [ticdata.treasury.gov/Publish/mfh.txt](https://ticdata.treasury.gov/Publish/mfh.txt).

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The cost of this loophole is vitally important information for U.S. taxpayers who are stuck with the bill as well as trade negotiators who might want to remind China of the billions of dollars that could be put at risk if our deals are not adhered to by both sides.

I would, therefore, request that the Treasury Department begin calculating and publicly posting the amount of interest paid to the top ten major foreign holders of U.S. Treasury securities as well as the cost of foregone tax revenues resulting from any exemptions granted by trade deals or other agreements with those nations.

I appreciate your consideration of this request. If you have any questions please contact Roland Foster (Roland\_Foster@Ernst.Senate.Gov) in my office. Thank you again for your efforts on behalf of the taxpayers of Iowa and the United States.

Sincerely,



Joni K. Ernst  
United States Senator