

□ **Washington, DC** - The House today approved an amendment offered by Congressman Maurice Hinchey (D-NY), Congresswoman Jan Schakowsky (D-IL), and Congressman Jim Moran (D-VA) to strengthen oversight of armed security contractors in Iraq and Afghanistan and eliminate a tax loophole that has been used by the defense contractor Blackwater. The amendment was included as part of the National Defense Authorization Act for Fiscal Year 2011.

"For too long, the private armies of defense contractors have undermined our nation's mission in Afghanistan and Iraq through the misconduct of their subcontractors," Hinchey said. "This amendment would ensure that security contractors in Iraq and Afghanistan don't outsource their work to American subcontractors over whom they don't have direct, strong oversight. It would also prevent those same security contractors from avoiding the payment of federal taxes through the use of independent subcontractors."

"This is an issue both of fairness and accountability," said Schakowsky. "Companies should not be permitted to evade federal taxes, nor should they be able to opt out of taking responsibility for the actions of their personnel by calling them 'independent contractors' instead of employees. This amendment is a major step forward in holding private security companies accountable when they hire personnel."

Moran said, "This critical amendment will force the DOD to improve its woeful oversight of private security contractors in Afghanistan. Increased oversight is vital if we are going to reach any degree of measurable success."

The House members noted that a critical component of American success abroad is the ability of U.S. forces to win support from the Afghan and Iraqi people, many of whom do not distinguish between armed security contractors and the U.S. military. For this reason, every time a contractor kills or injures innocent civilians, it is a devastating blow to our country's strategy to protect the local population.

With regard to taxes, by classifying workers in Iraq as "independent contractors" rather than employees, Blackwater, a major security contractor operating in Iraq and Afghanistan, appears to have avoided tens of millions of dollars in employment-related taxes.

The Hinchey/Schakowsky/Moran amendment requires armed private security contractors who are using U.S. citizens in Iraq or Afghanistan to hire those individuals as direct employees rather than independent contractors. This amendment will help close the door on a tax loophole and ensure contractors have full responsibility and better oversight over personnel.

The amendment is narrow and focused. It applies only to U.S. citizens who are required to have security clearances for armed security contracts in Iraq or Afghanistan. The amendment also contains a national security waiver provision.