



DEPUTY UNDER SECRETARY OF DEFENSE
3015 DEFENSE PENTAGON
WASHINGTON, DC 20301-3015

ACQUISITION AND
TECHNOLOGY

APR 14 2008

The Honorable Carl Levin
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510-6050

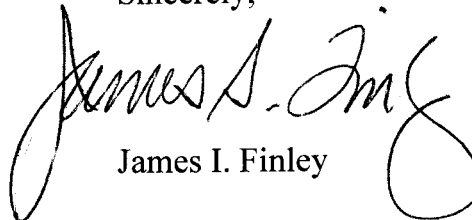
Dear Mr. Chairman:

The enclosed Department of Defense (DoD) report on the impacts of compliance with section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), Public Law 109-222, is provided in response to the House of Representatives Report of the Committee on Armed Services accompanying the National Defense Authorization Act for Fiscal Year 2008, H.R. Report 110-146. The House report requested DoD to assess the impacts of compliance with section 511 of the TIPRA, including the cost of modifications to defense financial accounting systems, additional personnel costs, and anticipated consequences for defense contractors in terms of performance, subcontract management, and cost escalation.

DoD anticipates the costs for DoD to comply with section 511 will be significant - over \$17 billion for the first five years. The estimated cost impact includes the costs for DoD to implement and manage section 511 within DoD and the additional cost escalation DoD will pay its contractors as a result of section 511. Further, DoD is concerned that section 511 may limit the number of companies willing to enter into the government market, thereby reducing competition and access to new technologies, and may cause other unintended consequences that are addressed in the report.

A similar letter is being sent to the Chairman of the House Armed Services Committee.

Sincerely,



James I. Finley

Enclosure:
As stated

cc:
The Honorable John McCain
Ranking Member





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WASHINGTON, DC 20301-3015

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APR 14 2008

The Honorable Ike Skelton
Chairman, Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515-6035

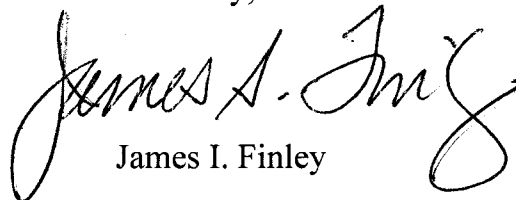
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Sincerely,



James I. Finley

Enclosure:
As stated

cc:
The Honorable Duncan Hunter
Ranking Member

