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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

October 23, 2007

The Honorable Steven Preston
Administrator
U.S. Small Business Administration
409 Third Street, S.W.
Washington, D.C. 20416

Dear Administrator Preston:

Recently, there have been stories in the press which discuss House Committee on Oversight and Government Reform Chairman Waxman's concerns that Blackwater LLC has evaded taxes by erroneously classifying workers as independent contractors instead of employees. Blackwater responded to Chairman Waxman's inquiry with the following: "The U.S. Small Business Administration has determined in an official finding applying 'the criteria used by the IRS for Federal income tax purpose,' that 'Blackwater security contractors are not employees.'"

I am concerned that Blackwater is relying on a decision of the Small Business Administration for tax purposes. I am requesting that by November 2, 2007, you send me any determinations that the SBA has made concerning the classification of Blackwater's workers and any other documents that would lead Blackwater to believe that their workers are not employees for tax purposes. Also, please clarify whether the Small Business Administration is making or has made employee versus independent contractor determinations for tax purposes.

Thank you for your timely attention to this matter.

Sincerely,



JOHN F. KERRY
Chair