

*Natural building blocks for quality of life*

March 22, 2005

The Honorable F. James Sensenbrenner, Jr.  
Chairman  
Committee on the Judiciary  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

I write this letter to bring to your attention the concerns of the aggregates industry regarding a proposal in the President's fiscal year 2006 budget to assess a fee on users of explosives. The Administration contends that this de facto tax would generate \$120 million in 2006. The revenue would be used to pay the salaries of Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) employees who regulate the explosives industry. The budget proposal gives the Attorney General the authority to increase the \$0.02/pound fee as ATF costs rise. A \$120 million tax would result in a 12 percent increase in the assessed annual commercial value of explosives.

Further, the FY '06 budget proposes ignoring the statutory cap on fees for commercial explosive licenses and permits thereby allowing ATF to impose a 10-fold increase in the cost of obtaining these credentials. This increase is supposed to fully fund these activities. Such licenses/permits are required of all explosives users including the farmer who wants to remove a tree stump and multi-sited manufacturing companies whose annual fees would top \$20,000.

The National Stone, Sand & Gravel Association (NSSGA) strongly opposes efforts to impose a tax on the commercial explosives industry and significant increases in the costs of obtaining the credentials needed to use explosives.

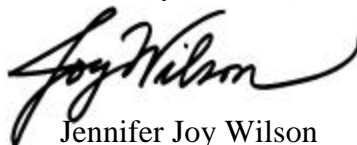
According to the U.S. Geological Survey, NSSGA is the largest mining association by product volume in the world. NSSGA's member companies represent more than 90 percent of the crushed stone and 70 percent of the sand and gravel produced annually in the United States and approximately 115,000 workingmen and women in the aggregates industry. During 2004, about 2.79 billion metric tons of crushed stone, sand and gravel, valued at \$16 billion, were produced and sold in the United States. Every state and 70 percent of congressional districts are home to an aggregates operation. Because approximately 93 percent of all aggregates are used in construction, our industry's products play a major role in our nation's economic performance.

NSSGA opposes efforts to impose a tax on the commercial explosives industry and the aggregates companies, mostly small businesses that will bear a disproportionate economic burden. Given the latest statistics on explosives use, the government will not be able to generate the purported \$120 million at a rate of \$0.02/pound so the tax rates will have to be raised. Aggregates are essential to our nation's economy and cannot be obtained without the use of explosives. The additional tax burden would fall hardest on the 80 percent of NSSGA members that are small businesses and could cause layoffs and plant closings. Ultimately, of course, the explosives tax will be paid by the American people in the form of higher construction costs of homes and public buildings.

NSSGA believes licensing and permitting are necessary for safety and security of American citizens. Commercial explosives, however, are not the preferred weapon of criminals and terrorists. Criminal use of explosives results in five or six deaths per year. Where terrorists have used explosives they are mostly self-manufactured from commonly available materials, not commercial products. NSSGA supports the continued congressional oversight of explosives licensing and permitting, but does not believe this credentialing should be dependent on fee collection.

The proposed explosives user tax is not fair or equitable. NSSGA opposes funding law enforcement programs critical to the safety and security of American citizens through fees that will fluctuate with the economy and bear no relationship to the need for government oversight or intervention. Thank you in advance for consideration of our views.

Sincerely,

A handwritten signature in black ink, appearing to read "Joy Wilson", written in a cursive style.

Jennifer Joy Wilson  
President & CEO