The Federal Government's $200 Billion Tax Increase

- Giving Foreign Companies an Unfair Advantage in the Global Marketplace
- Raising Prices on American Consumer Goods
- Costing U.S. Workers Badly Needed Jobs

Recently, the federal government announced a tax plan to eliminate so-called "tax loopholes" for companies with operations overseas. Today, **America's businesses pay the second-highest corporate tax rate in the world**, second only to Japan. The government **would add to this burden by changing several rules in the U.S. tax code**, including deferral and "check-the-box," which were designed to allow U.S. companies to compete with overseas firms. This proposal would mean **a huge tax increase for American businesses with overseas operations, approaching a total tax burden of 50 percent** on some foreign operations. This would bring about terrible consequences for American workers and the economy. Worse, the proposed changes would go into effect in 2011, just when the economy is expected to rebound—crippling our recovery and costing us badly needed high-paying, high-skilled jobs.

The government is framing this tax increase as "restoring fairness"—and a way to help pay for expensive government programs. Rather than restoring fairness, this proposal will actually be unfair to American companies operating overseas, to their workers, and to the communities they support here at home—and would give foreign companies an unfair advantage against American competitors.

- American companies that do business overseas add $2.5 trillion to the U.S. economy.
- The government's unfair tax increase would add $200 billion in taxes for affected companies.
- American companies that do business overseas support more than 20 million American jobs—with millions more jobs supported by small- and medium-sized suppliers.

The Economic Impact

- The unfair tax increase would **add $200 billion to the tax burden of affected companies, putting them at a competitive disadvantage against foreign competitors** who don't have to pay or can defer taxes in their home countries.
- The unfair tax increase **would eliminate U.S. jobs**. In 2006, American companies doing business overseas supported more than **20 million American jobs**, about one fifth of the private workforce—with millions more jobs supported by small- and medium-sized suppliers. Good-paying, high-quality jobs.
- According to the National Bureau of Economic Research, each dollar that U.S. businesses invest in foreign nations generates $3.50 of additional investment here at home.

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Restoring Fairness? Or Creating an Unlevel Playing Field?

- The **vast majority of operations** by worldwide American companies **take place in the United States.**
- By adding overseas operations, U.S. companies **create more opportunities for American companies to grow**—the efficiencies in having operations closer to customers allow American companies **and their workforces to grow, at home and abroad.**
- **90 percent of the products produced by American companies overseas are sold to foreign customers—these operations are generally producing and selling products in local or regional markets, not competing with American-made products in the global marketplace.**
- The government's unfair tax increase would give foreign companies an unfair advantage over American companies, creating an unlevel playing field, both overseas and at home.
- Foreign companies will grow while **American companies—and their workforces—will shrink.**
- **Companies may be less likely to base their headquarters in the U.S.**, depleting the U.S. of even more jobs—as well as intellectual capital, entrepreneurs, innovation, and tax revenue.

Good Tax Reform Vs. Bad Tax Reform

- Comprehensive reform of the U.S. tax system **that truly restores fairness and holds those who break the law accountable** is needed.
- **Law-abiding American firms should not be punished** for doing business in lower-tax countries with competitive tax systems.
- Our policies should encourage American businesses to pursue opportunities in the global economy, not put up roadblocks when they do so successfully.

Doing Good at Home When Doing Well Abroad

- U.S. companies play an **integral part in American civic life.**
- Through their foundations and sponsorships, American companies are the **driving force of charitable giving in the U.S.**—from schools, libraries, and the local little league, to food banks, hospitals, and community development programs.
- As U.S. companies shrink with the burdens of this unfair tax increase, Americans' quality of life will suffer as well.

Consumers Lose

- Corporations don't pay taxes; **people do.**
- Raising corporate taxes during a time of worldwide economic hardship will lead to **higher prices for goods and services**—meaning higher prices here at home.
- Raising taxes on worldwide American companies to pay for expensive government programs will **cripple our industry at home and abroad.**

The Reform We Need

The American business community supports comprehensive tax reform that will foster a more level playing field for all companies, help keep America competitive, and support economic growth and job creation. A $200 billion tax increase that punishes law-abiding companies for doing business overseas will cost America jobs, innovation, and tax revenue. It will make American companies less competitive, give foreign competitors an unfair advantage, and ultimately hurt all Americans.