



LIFT
AMERICA

LET'S INVEST FOR TOMORROW

**Written Comments of the
LIFT America Coalition**

**Submitted to the House Ways and Means Committee
International Tax Reform Working Group**

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OVERVIEW

Let's Invest for Tomorrow (LIFT) America is a coalition of U.S.-headquartered companies, trade associations and economic stakeholders representing industries that are critical to the American economy. The coalition supports modernizing our international tax system in order to strengthen America's competitiveness in the global marketplace, promote increased U.S. investment and protect America's tax base.

The coalition is educating policymakers and the public to raise awareness of the significant economic harm caused by our outdated international tax laws; all the while promoting reforms that would ensure U.S. companies operating globally pay home country tax rates that are competitive with those paid by foreign business rivals.

Members of the LIFT America Coalition include – 3M, Caterpillar Inc., Cisco, Eli Lilly and Company, Emerson, Financial Executives International, Honeywell International, Inc., Hewlett-Packard Company, International Business Machines Corporation, Information Technology Industry Council, Intel, Johnson & Johnson, National Foreign Trade Council, Oracle, Pfizer, Procter & Gamble, Semiconductor Industry Association, TechNet, The Coca-Cola Company, United Technologies Corporation, Xerox Corporation, and Yum! Brands.

PRINCIPLES OF REFORM

The LIFT America Coalition believes that comprehensive tax reform must include the enactment of a competitive and modern international tax system, similar to the one used by our trading partners. This overdue reform should incorporate the following principles:

- Modernize our tax laws to provide a level playing field for American workers competing in the global marketplace to sell more U.S. goods and services;
- Simplify the tax code and make reforms permanent, as we cannot afford the patchwork of fine print that locks in the status quo and locks out \$1.7 trillion in private investment;
- Prevent tax base erosion and abuse by creating clear, manageable standards for globally engaged U.S. companies who continue to pay taxes owed in the United States and abroad;
- Reduce the corporate tax rate to make it more competitive with our nation's major trading partners and increase domestic investment; and
- Ensure tax reform will be revenue neutral with the goal of promoting the free flow of investment into the U.S. and making America the most attractive place to hire and invest in the world.

Our Current International Tax Laws Do Not Reflect the Dynamic Global Marketplace

It's been more than a half-century since the United States undertook a bottom-up review of our international tax laws. In fact, they haven't been updated since 1963, when the U.S. accounted for 50 percent of the global economy and did not have any serious competition from other nations.

Today, innovation and technological advances have made the world's economies more interconnected and given rise to a host of international competition. In 1960, U.S. – headquartered companies comprised 85% of the world's largest companies. By 2010, only 30% of American headquartered companies were ranked in the top 20.

It is clear our current international tax laws now fail to reflect the dynamic global marketplace in which U.S. companies now operate. Our out-of-step international tax system imposes a toll-like charge that effectively locks out approximately \$1.7 trillion in private capital. That's money that could be spent on American research and development, new plant and equipment, and other job-creating activities.

Instead, American companies face the prospect of additional taxation when they want to invest foreign earnings here at home. Furthermore, the “worldwide” approach represents the worst aspects of our tax code – it is overly complex and often forces U.S. companies to make business decisions based on tax law, instead of responding to the demands of customers.

The United States now finds itself the only G8 economy that hasn't yet modernized its international tax laws in order to attract more investment. While America has stood still on reform, it has lost a number of U.S.-headquartered companies, untold investment and overall economic stature.

The Status Quo Ensures that the U.S. Economy and American Workers Lose:

- Locks out near \$1.7 trillion in potential investment from returning to the U.S.;
- Discourages domestic investment;
- Prevents U.S. companies from selling more of their goods and services here at home and in new markets abroad;
- Creates an unlevel playing field against American workers and companies as they compete in the global marketplace against foreign workers and companies that have already adopted modern tax reforms;
- Dissuades global companies from headquartering in the U.S., while creating incentives to move current headquarters overseas; and
- Increases the number of foreign takeovers of American companies.

Comprehensive Tax Reform Must Include a Modern Territorial Tax System

To support U.S. competitiveness and job growth, the United States needs to enact a modern territorial tax system that strengthens America's competitiveness in the global marketplace, promotes increased U.S. investment and protects America's tax base.

With this overdue reform, globally engaged U.S. companies would pay taxes on their profits here at home and on their foreign profits in the foreign country in which they operate. Foreign profits would not be taxed a second time when they are brought to the United States.

Thus, the toll-like barrier that is locking out approximately \$1.7 trillion in American economic investment would be eliminated and U.S. companies could then compete against foreign competitors on a level playing field. That level of investment would strengthen our economy through increased research and development, plant expansions, new equipment purchases, more jobs, and better worker benefits.

Transitioning to a competitive international system, similar to the one used by our trading partners, represents a balanced reform to our tax laws. U.S. companies would continue to pay the taxes they owe both here and abroad, while at the same time the United States would become a more attractive place to locate a business, invest and hire.

In addition, a modern territorial tax system would allow U.S. companies to enhance their ability to serve and open new markets; companies would now be encouraged to invest in their operations to sell more of their products and services in the global marketplace – where 95% of the world's customers live outside the United States.

Foreign competitors and trading partners like Canada, Japan and the U.K., who have recently transitioned to a territorial tax system, provide proof that reforms lead to improved economic performance. The U.S. now has an opportunity to learn from these foreign case studies in order to further adjust the standards and safeguards associated with a territorial tax system.

The time for reform is now – the realities of the global marketplace and our stagnant economy demand it. Quite simply, our tax laws should not force investment and jobs away from America; it should encourage economic growth here at home.

Because in the end, when U.S. companies can make the investments needed to sell more of their products and win new customers around the world – it is our economy and workers who stand to gain the most.

Benefits of Enacting a Competitive and Modern International System of Taxation:

- Spurs economic growth across a wide array of industries important to America's long-term prosperity;
- Makes the U.S. a more attractive place to launch or relocate a business;
- Promotes domestic job creation among U.S.-headquartered companies expanding into new foreign markets;
- Encourages innovation through robust research and development investment;
- Ensures that U.S. companies continue to pay taxes owed, while at the same time enhances their competitiveness.

CONCLUSION

There is growing bipartisan support for a more competitive international tax system, similar to the one used by our trading partners, among elected officials, economic policy experts and the nation's most trusted business organizations.

The LIFT America Coalition appreciates the current efforts of Chairman Camp and the members of House Ways and Means Committee to reform the U.S. tax system for the benefit of all Americans.

We thank you for the opportunity to share our thoughts and concerns with you. The members of LIFT America look forward to further discussing these issues and working with the International Working Group and the rest of the Committee to achieve a pro-growth, pro-competitiveness tax system.