CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

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TO THE MEMBERS OF THE UNITED STATES CONGRESS:

The U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than three million businesses and organizations of every size, sector, and region, strongly opposes changes to the international tax regime, such as those as proposed in the Administration's FY2011 budget.

The Chamber urges Congress to reject repealing provisions of the international tax code simply to raise revenue. Companies already are facing approximately $500 billion in onerous new taxes under the health care legislation over the next 10 years. In order to keep American worldwide companies competitive, create and maintain jobs in America, and keep foreign investment flowing into the U.S. economy, Congress cannot impose punitive taxes every time they seek to spend money, especially when these tax increases are targeted at the very employers that are in the best position to hire and keep the U.S. economy strong.

The existing U.S. international tax system has evolved over time. While it is a patchwork approach to international taxation, these provisions are fundamental pieces of the U.S. tax system; they represent the delicate balance necessary to stimulate the growth of American worldwide companies while simultaneously attracting foreign investment, which is a valuable source of capital for the U.S. economy. Changes to these provisions, such as deferral, the foreign tax credit regime, the 80/20 company rules, the treatment of treaty benefits for certain deductible payments, transfer pricing, and the dual capacity rules cannot be considered lightly or in isolation. The consequences of such changes must be broadly considered for their impact on the U.S. economy, American workers, and global competitiveness.

Congress has indicated its willingness to go down this slippery slope. In H.R. 4849, the "Small Business and Infrastructure Jobs Tax Act of 2010," the House voted to repeal the 80/20 company rules and to limit the treaty benefits of certain deductible payments. Changes to these provisions would deter foreign investment in the United States and have a negative impact on the U.S. economy. Congress has already moved ahead and made changes to these provisions to pay for unrelated initiatives and incentives, while unfortunately ignoring the detrimental and discriminatory effects of these taxes.

The Chamber strongly opposes any changes to international tax provisions which would adversely affect the competitiveness of American worldwide companies, would hinder the ability of companies to create jobs, or would upset the flow of foreign capital into the United States. The Chamber looks forward to working with Congress to ensure that the U.S. tax code allows worldwide American companies to remain competitive and encourages foreign investment in the United States.

Sincerely,

R. Bruce Josten