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Max Baucus (D-Mont.)
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BAUCUS, GRASSLEY SUPPORT RECOMMENDATION FOR REPORTS ON TAXABLE FOREIGN-SOURCE INCOME

Finance Leaders Look toward Tax Reform, Rules on International Corporate Taxation and a Stronger U.S. Economy

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont) and Ranking Member Chuck Grassley (R-Iowa) commented today on a new Government Accountability Office (GAO) study that found several European countries, Canada and Australia confront similar risks and challenges to the United States with regard to their corporate international tax policies. The Finance leaders commissioned the study in anticipation of tax reform and in consideration of the worldwide and territorial approaches to taxation. Worldwide and territorial taxation are two general approaches to taxing foreign-source corporate income that differ in how corporate income is taxed in the corporation's home country. The study showed similar compliance risks and taxpayer burdens exist under both the worldwide and territorial approaches, including transfer pricing issues, anti-avoidance rules, foreign tax credits and domestic expense deductions.

"This report makes clear there are significant inherent challenges in international tax policy reform, and the complexity of the issues requires us to move carefully and thoughtfully. Any tax reform must be focused on a healthy economy, job growth and increased U.S. competitiveness worldwide," said Baucus. **"We are committed to ensuring American competitiveness abroad and job-creation here at home while promoting fairness, efficiency and simplicity in tax reform. I urge Treasury to address the recommendation in this report right away, to help us better understand the implications of international tax policies on domestic companies with international operations and on the U.S. tax base. This information could play an important role as Congress looks toward overall tax reform."**

Grassley said, **"This report sheds light on the territorial, or exemption, system of corporate international taxation. That's very different from the current U.S. system of deferral. This report underscores that U.S. international taxation is complex. It shouldn't be changed without thorough review and consideration by the Finance Committee, and shouldn't be done through the use of simplistic, rigid, and inaccurate 'black lists' of disfavored countries. When the Finance Committee does take up corporate international tax reform, any changes should maximize U.S. economic well-being. Transactions shouldn't be based on tax avoidance. Changing the game on multinational corporations doesn't make sense if it means companies will ship more jobs overseas to avoid what they see as unfair or anti-competitive U.S. tax rules."**

The report found that none of the countries studied – including Australia, Canada, France, Germany and the Netherlands – were able to provide quantitative estimates of the extent of unpaid taxes on foreign-source income, or the amount of time and resources spent on taxpayer compliance with current law. The U.S. Department of the Treasury agreed to begin reporting revenue generated by taxing foreign-source corporate income as part of their Statistics of Income data reporting.

Full text of the GAO report may be viewed here: **http://www.gao.gov/new.items/d09934.pdf**.

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