

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

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August 2, 2010

TO THE MEMBERS OF THE UNITED STATES SENATE:

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 the Murray/Harkin/Reid/Schumer amendment to H.R. 1586, the "FAA Air Transportation Modernization and Safety Improvement Act."

This amendment would impose draconian tax increases on American worldwide companies that would hinder job creation, decrease the competitiveness of American businesses, and deter economic growth. Further, this amendment would change longstanding U.S. international tax law, the impact of which has never been adequately assessed through hearings in the relevant Committees of jurisdiction.

For example, by denying the foreign tax credit in certain scenarios involving covered asset acquisitions, this legislation hampers acquisitions by American worldwide companies, threatening their ability to create jobs while simultaneously narrowing the tax base. Stripping away the benefits of this provision would likely impede the competitiveness of American worldwide companies in their bids for foreign targets.

Additionally, limiting the use of §956 for foreign tax credit planning (i.e., the "hopscotch" rule) would harm the ability of companies to repatriate cash to the United States in a tax efficient manner. Foreign business acquisitions generally result in a series of intermediate foreign holding companies, which block the repatriation of earnings for a variety of reasons such as local statutory earnings deficits or other local restrictions on actual dividends. American worldwide companies have had the ability to overcome such obstacles through the use of §956. This provision was particularly beneficial during the recent economic downturn and ensuing credit crunch when it was necessary for American worldwide companies to repatriate significant funds in order to meet the financial needs of their U.S. businesses. By limiting the use of §956, this amendment would significantly reduce the repatriation of foreign earnings, hurting economic growth and job creation.

The Chamber strongly opposes this amendment because the significant changes to U.S. international tax law would hurt the competitiveness of American worldwide companies, hinder their ability to create jobs, and harm the U.S. economy. **The Chamber may consider votes on, or in relation to, this issue in our annual *How They Voted* scorecard.**

Sincerely,



R. Bruce Josten