Business Roundtable℠

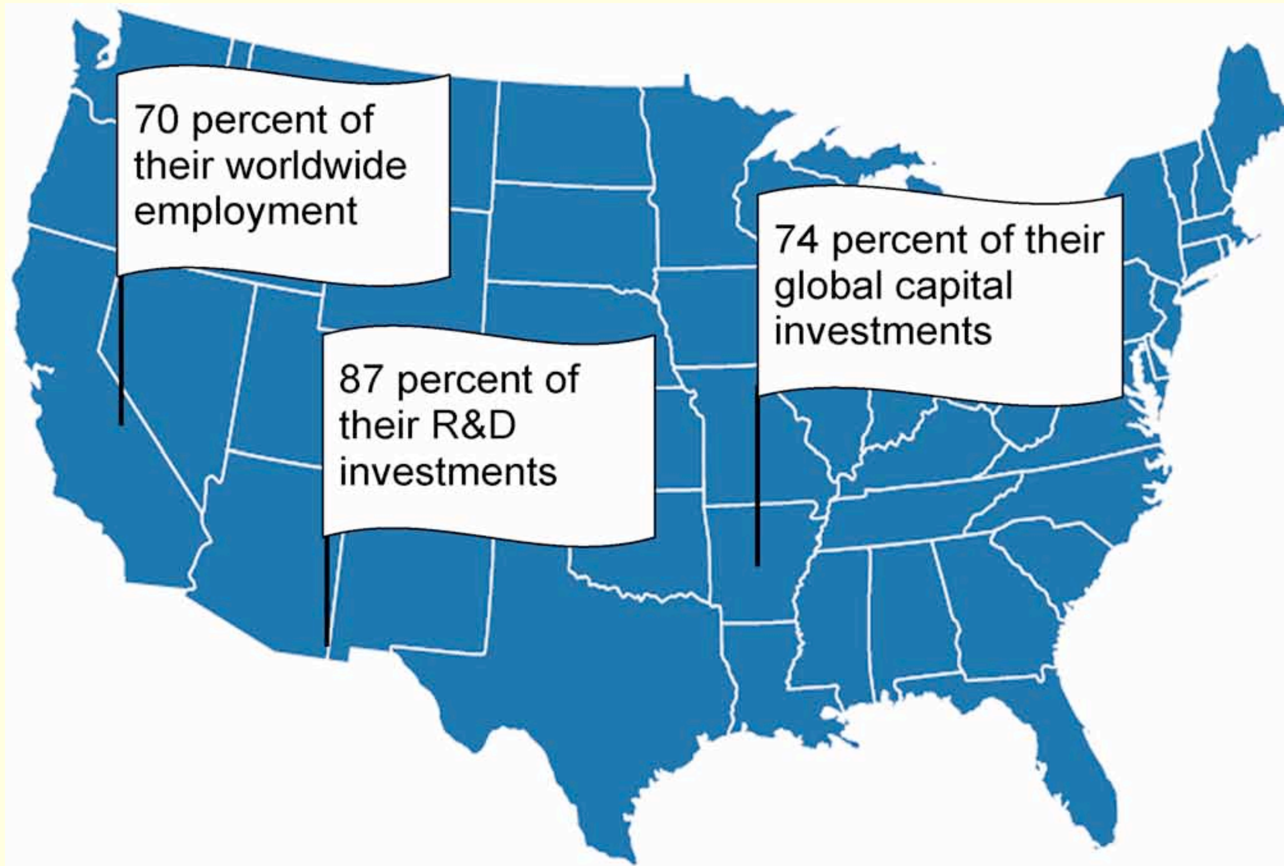
Fair Tax Treatment for U.S. Companies in the International Economy

Tax changes that disadvantage U.S. companies in foreign markets will only hurt U.S. workers here at home

PROTECT A LEVEL PLAYING FIELD FOR U.S. COMPANIES AND WORKERS

U.S. Multinationals are, First and Foremost, **American** Companies

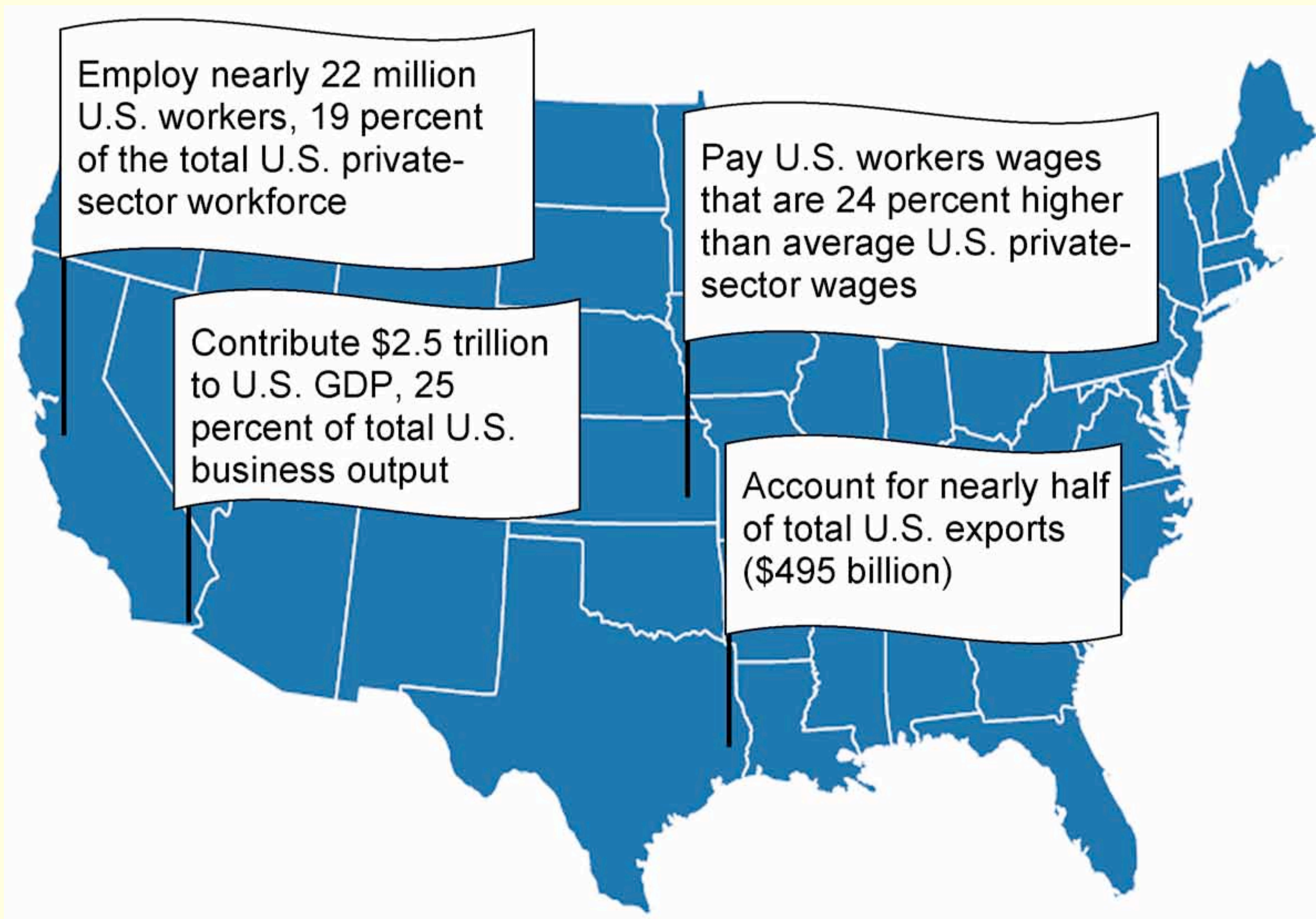
On average:



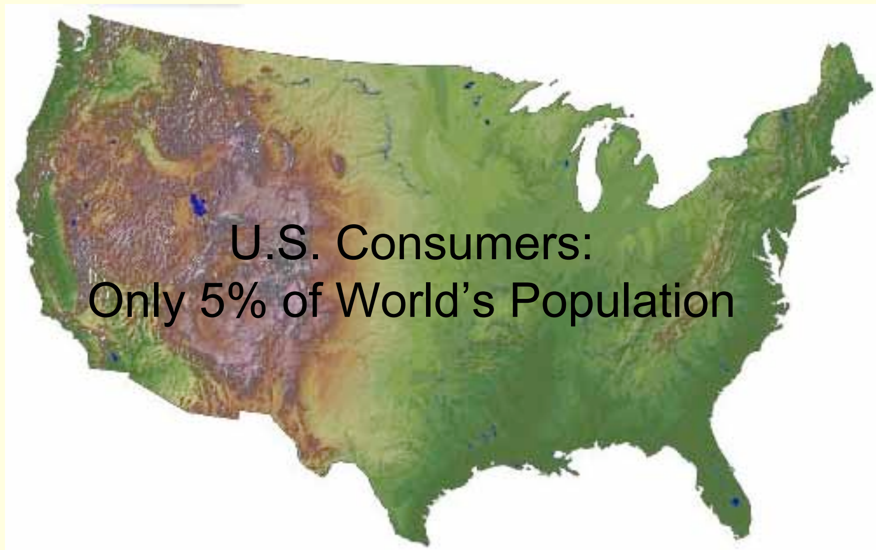
Are located *in the United States*.

U.S. Multinationals Make an Outsized Contribution to the U.S. Economy

American parent companies of U.S. multinationals:

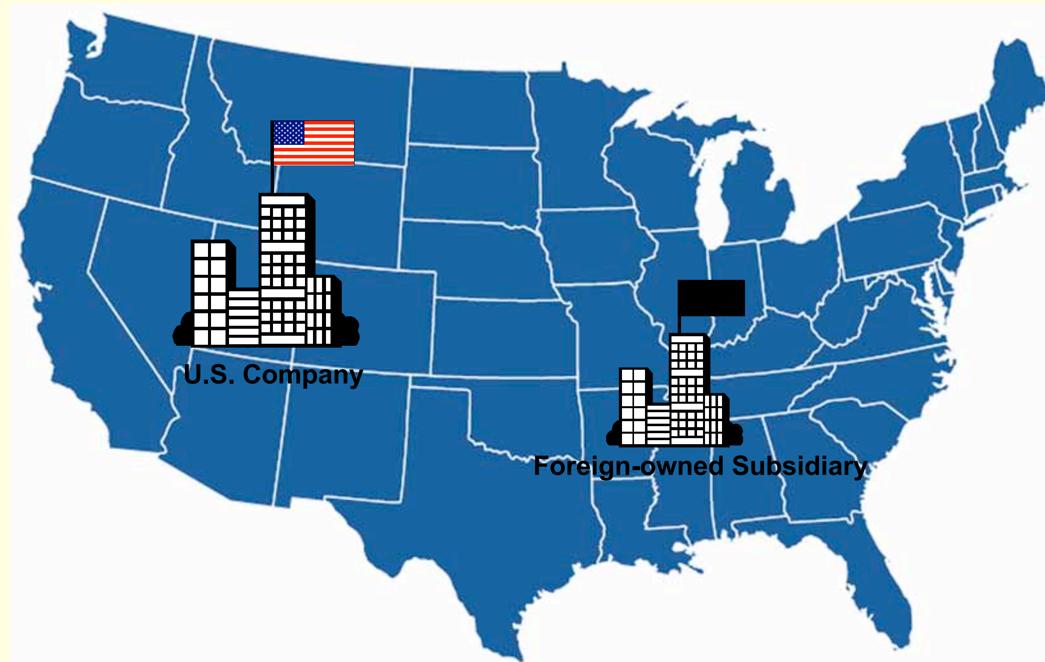


American Companies Establish Overseas Subsidiaries So They Can Serve the 95 Percent of Global Consumers Who Live Outside of the United States



- U.S. multinationals primarily operate in other high-income countries.
- 79 percent of U.S. foreign-affiliate output comes from high-income countries.

America offers a level playing field for U.S. and foreign-owned companies operating in the United States: both are taxed at the same rate.



American Company Profit

Income	$100
U.S. Tax	39*
Net Income	$ 61

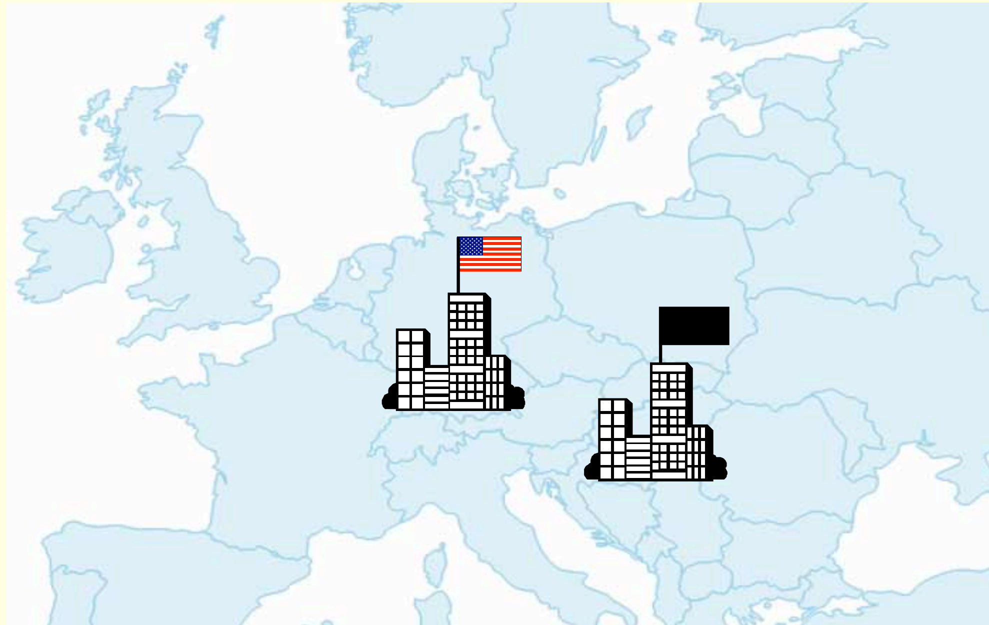
Foreign-owned U.S. Subsidiary Profit

Income	$100
U.S. Tax	39*
Foreign tax	0†
Net Income	$ 61

* U.S. tax includes 35% federal tax and 4% average state and local tax net of federal deduction.

† Foreign tax is zero because either (1) foreign income is exempt from home country tax or (2) dividends to home country are deferred and not taxed until repatriated.

Current U.S. Tax Policy Maintains a Level Playing Field for U.S. Companies in the International Economy



U.S.-owned Subsidiary Profit	
Income	$100
Local Tax	25*
U.S. Tax	0†
Net Income	$ 75

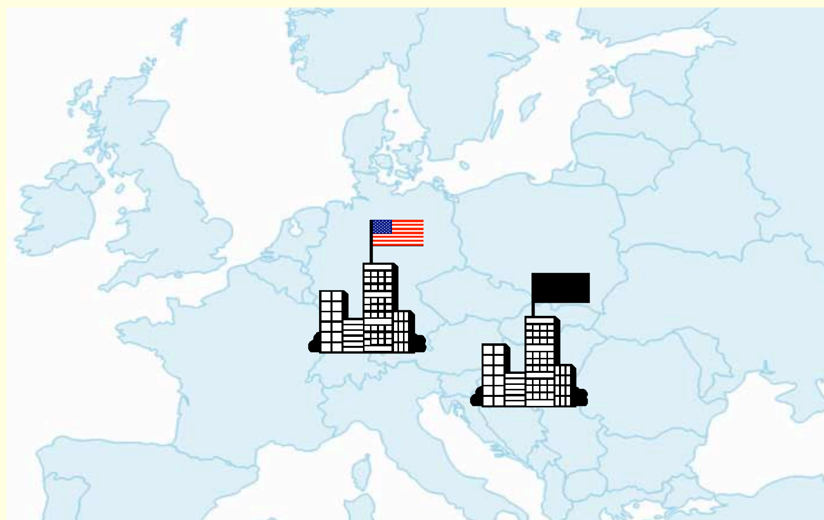
Foreign-owned Subsidiary Profit	
Income	$100
Local Tax	25*
Home Country Tax	0††
Net Income	$ 75

*Average 2007 European Union central and local corporate tax rate is 24.5%.

† U.S. foreign subsidiary earnings reinvested and eligible for deferral.

†† Foreign-owned subsidiary pays no home country tax because either (1) foreign income is exempt from home country tax or (2) dividends to home country are deferred and not taxed until repatriated.

Eliminating Tax Deferral, Subjecting Foreign Subsidiaries of American Companies to Immediate U.S. Taxation, Would Disadvantage U.S. Companies in Foreign Markets



U.S.-owned Subsidiary Profit

Income	$100
Local Tax	25
U.S. Tax	**14†**
Net Income	**$ 61**

† Additional tax of $14 ($35 federal and $4 state and local, net of federal deduction, less $25 in foreign tax credits).

Foreign-owned Subsidiary Profit

Income	$100
Local Tax	25
Home Country Tax	0
Net Income	$ 75

Taxing American operations abroad without deferral would hurt the competitiveness of American companies, leading to a loss of U.S. exports and U.S. jobs associated with U.S.-owned foreign operations, while operations of foreign-owned competitors would expand.

A Level Playing Field Benefits U.S. Workers

✓ Foreign operations of American companies benefit American workers by:
- Stimulating U.S. exports;
- Increasing purchases from U.S. suppliers; and
- Expanding U.S. research and headquarters' operations.

✓ Foreign operations of American companies increase the world demand for American products and services and grow the U.S. economy.

✓ To succeed in foreign markets, American companies need a level playing field with their foreign-owned competitors.

✓ Taxing American operations abroad without deferral would:
- Hurt the competitiveness of American companies; and
- Lead to a loss of U.S. exports and U.S. jobs.

If American companies cannot compete on a level playing field, foreign consumers will be served by foreign-owned companies that are less reliant on American workers.