

Promote America's Competitive Edge

U.S. Workers Keeping **PACE**
with the World

www.pace4jobs.org

May 24, 2010

Dear Members of Congress:

The PACE Coalition— a broad-based organization dedicated to promoting and increasing the more than 63 million American jobs that depend on the international competitiveness of worldwide American companies—has strong concerns about new proposed international tax increases included in the House amendment to H.R. 4213, released on May 20, 2010.

The members of PACE, including the undersigned trade associations, advocate that the United States maintain a level playing field for taxation of international operations. The proposed \$14 billion in proposed tax increases included in H.R. 4213 do entirely the opposite and unilaterally disadvantage U.S. companies. American global companies already struggle under a worldwide tax system and one of the highest corporate tax rates in the world. The proposed changes in the international tax rules will make a bad situation worse, making it even more difficult for American worldwide companies to compete.

Since PACE was formed in early 2009, Coalition members have urged policy makers to consider changes to our international tax laws in the broader context of tax reform that makes us more competitive and not use international tax increases as “pay fors” outside of that context. Moreover, “picking off” some international tax law changes in advance of tax reform would make pro-growth, pro-competitiveness reform more difficult, if not impossible.

These proposed tax increases represent the latest setback in our efforts to support positive reform of our international tax rules. While PACE members support many of the pro-growth tax relief provisions in the bill, these large and permanent tax increases are being used to “fund” various temporary tax and spending initiatives.

More specifically, our objections to the international tax offsets to H.R. 4213 as proposed on May 20 include the following:

- The bill contains eight significant international tax provisions raising \$14 billion that should properly be included only in a discussion of fundamental tax reform at which time in depth consideration of the best tax system for the future with a more competitive rate could be considered.

- The bill lists these provisions as "loophole closers" -- however, the legislation would affect significant changes in long-standing aspects of U.S. tax law and policy, overturning court decisions and going far beyond.
- The bill attempts to "perfect" our current worldwide international tax system without understanding the current uncompetitive state of that system.
- Several international provisions are new, never having been considered in hearings or other bills, and they are applied on a retroactive basis.
- The retroactive tax increases run contrary to principles of fairness and due process. Such unpredictability undermines confidence in the tax system, and could have large financial statement impacts.

American workers and jobs benefit from the ability of American companies to compete in a global economy. Other countries are eliminating the overreaching worldwide tax model, lowering tax rates, and creating new and dynamic tax systems to attract job-creating activity. In the United States however, the proposed changes like those outlined above will make the U.S. tax system even less competitive than it is, threatening U.S. jobs, U.S. competitiveness and overall growth.

The PACE coalition stands eager to work with policymakers to modernize our international tax system in ways that would truly yield economic growth, provide good standards of living for Americans, and Promote America's Competitive Edge. PACE requests your thoughtful reconsideration of H.R. 4213 based on the concerns we have expressed, and we continue to urge the Congress to avoid increasing taxes on worldwide American companies in ways that render them less competitive in markets both at home and abroad.

Very truly yours,

Business Roundtable
Information Technology Industry Council
National Association of Manufacturers
National Foreign Trade Council
U.S. Chamber of Commerce