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PACE Coalition Critical of Election Year Tax Proposals in Administration's FY2013 Budget

Washington – The PACE Coalition, representing thousands of American employers, today criticized several anti-competitive international tax provisions contained in the Obama Administration's proposed budget for FY2013.

These provisions – targeting deferral and foreign tax credits, among others – have been proposed as revenue raisers by the Administration in the past and represent the type of selective changes in tax law that make American companies less competitive.

“Most of America's current international tax rules are relics from the 1960s and are counterproductive to today's economy,” said John Engler, President, Business Roundtable. “The Administration's international tax proposals, instead of modernizing the system, will put the U.S. further out of sync with the rest of the world and make U.S. companies less competitive.”

The United States is the only G-8 country to use a worldwide tax system, which collects U.S. taxes on the earnings of the foreign subsidiaries of American companies. Most other OECD countries employ a territorial tax system, where taxes are collected only by the country where the income is earned. At the same time, the U.S. has gone from having the second highest corporate tax rate among developed countries to the highest rate in 2012. The United States' uncompetitive and outdated approach puts U.S.-based companies at a significant competitive disadvantage when selling goods and services in international markets.

“Countries around the world are promoting the international competitiveness of their companies and creating jobs by adopting modern tax laws that enhance the ability of their locally-headquartered companies to serve foreign markets,” said Catherine Schultz, Vice President for Tax Policy, National Foreign Trade Council. “The Administration's proposed budget provisions would move in the opposite direction – making the U.S. tax system even less competitive than it is today, threatening U.S. jobs, U.S. competitiveness and overall growth.”

“If the United States economy is to grow, American companies must actively participate in foreign markets to reach the 95 percent of consumers who live outside our borders. This isn't ‘shipping jobs overseas,’ it's about opening markets for American products and providing growth for America,” said Jay Timmons, President and CEO of the National Association of

Manufacturers (NAM). “The President’s tax proposals seem more focused on providing good campaign rhetoric than serious solutions.”

“Reforms to the way we tax overseas income should be considered only in the context of comprehensive tax reform,” said Bruce Josten, the U.S. Chamber’s executive vice president for Government Affairs. “Increasing taxes and adding to the overly complex, antiquated patchwork of existing tax rules will make our companies less competitive, hurting U.S. economic growth and job creation.”

“With the right policies in place the U.S. is well positioned to experience an economic surge over the next decade,” said Dean Garfield, President of the Information Technology Industry Council. “Unfortunately, rather than offering a spring-board for growth, the President has put forward a tax framework in his budget proposal, that will serve as quicksand for the country’s competitiveness. The Administration’s proposal would make the U.S. tax system even less competitive and leave America’s global-leading companies and their employees vulnerable. It is time for a tax reboot by moving to a competitive territorial system with increased innovation incentives that will encourage investment in the U.S. economy.”

The PACE Coalition urges Congress to once again reject the Administration’s international tax proposals, and will continue its work to advance pro-growth, pro-competitiveness tax legislation that will enable U.S. companies to compete effectively in the global marketplace and provide economic growth at home.

For further information, visit www.pace4jobs.org.

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The PACE Coalition (Promote America’s Competitive Edge) is dedicated to promoting and increasing the more than 60 million American jobs that depend on the international competitiveness of worldwide American companies. The ability of these companies to stem job losses in the United States and eventually return to hiring more American workers depends on the health and vitality of their worldwide operations. To ensure American competitiveness, PACE advocates that the United States maintain a level playing field for taxation of international operations, and not act unilaterally to disadvantage U.S. companies.