“TAX DEFERRAL” CHANGE WOULD CAUSE U.S. JOB AND INVESTMENT LOSS, NEW ECONOMIC REPORT PROJECTS

AS MANY AS 2.2 MILLION JOBS COULD BE AFFECTED BY CHANGE IN CORPORATE TAX, FORMER CLINTON OFFICIAL SAYS

Washington, DC – June 8, 2009 – A repeal of the rules governing the way the United States taxes the foreign earnings of U.S. companies could have dramatically adverse effects on U.S. jobs and investment and leave U.S. companies less competitive in global markets, according to a new economic report released today.

The report, authored by Robert J. Shapiro, a former Clinton Administration economic official, and Aparna Mathur, a Research Fellow at the American Enterprise Institute, found that as many as 2.2 million American jobs could be affected by a repeal, or effective repeal, of “tax deferral.”

The report, commissioned by the Technology CEO Council, also found that:

- Besides affecting jobs, investments in the United States in plant, equipment and property could fall by as much as $84.2 billion.

- Repealing or sharply limiting deferral would not generate large tax revenues, since substantial job losses, wage cuts and lower investments would reduce tax revenues.

Congress is now considering legislation that would sharply limit the “deferral” rules that protect U.S. businesses from bearing much higher tax burdens on their earnings abroad than their foreign competitors in the same markets.

The key to these results is evidence showing that in modern global companies, new investment and job creation in foreign subsidiaries are closely linked to new investment and job creation by the parent companies in the United States. These close linkages mean that while reducing or repealing deferral may be tempting politically, it would produce significant, negative economic consequences. The policy goal of changing deferral is ostensibly to make the United States a more desirable place for investment and job creation, but these changes would have the opposite effect of reducing domestic investment and jobs.

“The current proposal to substantially restrict ‘deferral’ would end up reducing American jobs and investment and could impair our economic recovery,” said Dr. Shapiro, who has advised U.S. President Bill Clinton and British Prime Ministers Tony Blair and Gordon Brown as well as other leaders and private companies.

“The Obama Administration deserves credit for many initiatives to promote investment and innovation,” said Bruce Mehlman, Executive Director of the TCC, a group made up of high-tech CEOs focused on policies that strengthen American competitiveness. “But we cannot expect to lead the world in high tech by marrying the world's best innovation infrastructure with the world's most confiscatory corporate tax structure."

The report concludes that the Administration and the Congress should conduct a serious review of the tax code and identify broad reforms that take account of the actual dynamics of the global economy and the need to support the integrated operations and international competitiveness of American companies.

The full report, the title of which is "The Economic Benefits of Provisions Allowing U.S. Multinational Companies to Defer U.S. Corporate Tax on their Foreign Earnings And the Costs to the U.S. Economy of Repealing Deferral," is available on the Technology CEO Council website at www.techceocouncil.org.

About the Technology CEO Council

Technology CEO Council companies generate over $365 billion in annual revenues and employ over 950,000 workers. Founded in 1989 and formerly known as the Computer Systems Policy Project, its members include Michael Splinter, President and CEO of Applied Materials and chairman of TCC; Michael Dell, Chairman and CEO of Dell; Joe Tucci, EMC Chairman, President and Chief Executive Officer; Mark V. Hurd, Chairman, President and CEO of Hewlett-Packard Company; Samuel J. Palmisano, Chairman, President and CEO, IBM Corporation; Paul S. Otellini, President and CEO of Intel Corporation; Steve Appleton, Micron Chairman and Chief Executive Officer; and, Greg Brown, President and Co-CEO, Motorola, Inc.