

U.S. Taxes are Out of Sync with World’s Leading Economies

America Proposes Increasing Already High Corporate Taxes as the Rest of World Moves in Opposite Direction

- The United Kingdom and Japan recently reformed their international tax systems to provide a permanent tax exemption for most foreign earnings of U.K. and Japanese companies. Now 26 of 34 OECD (Organization for Economic Cooperation and Development) countries employ a “territorial” tax system that does not tax the worldwide earnings of their global companies.

- For example, U.K. and Japanese companies pay taxes to Germany on their German earnings, but do not pay taxes on their German earnings to the United Kingdom or Japan.
- A U.S. company operating in Germany, on the other hand, pays taxes on its German earnings both to Germany and the United States.

- Only seven OECD countries, in addition to the United States, tax the worldwide earnings of their global companies: Chile, Greece, Ireland, Israel, Korea, Mexico, and Poland.

- Each of these countries, however, has significantly lower corporate tax rates than the United States – which now has the highest combined corporate tax rate in the OECD at 39.2 percent.
- Each of these countries – including the United States – currently allow their companies to defer paying tax on foreign earnings until those earnings are paid as a dividend to the parent company back in the home country.

- When a U.S. company competes globally, it is virtually certain to be competing with a company that is not taxed on its foreign earnings – creating a competitive disadvantage for the American company.

- The U.S. Treasury Department has proposed to fundamentally rewrite the basic rules of international taxation that have been in existence for nearly 100 years and impose more than \$100 billion in new taxes on U.S. companies operating in foreign markets.

- While most of the world is striving to make their companies more competitive, the United States is moving in the opposite direction.

OECD Countries with a Territorial Tax System	OECD Countries with a Worldwide Tax System
Australia	Chile
Austria	Greece
Belgium	Ireland
Canada	Israel
Czech Republic	Korea
Denmark	Mexico
Estonia	Poland
Finland	United States
France	
Germany	
Hungary	
Iceland	
Italy	
Japan	
Luxembourg	
Netherlands	
New Zealand	
Norway	
Portugal	
Slovak Republic	
Slovenia	
Spain	
Sweden	
Switzerland	
Turkey	
United Kingdom	

A massive increase in taxes will disadvantage American companies and make U.S. workers less secure.