CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
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TO THE MEMBERS OF THE U.S. HOUSE OF REPRESENTATIVES:

The U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than three million businesses and organizations of every size, sector, and region, strongly opposes H.R. 1586, which would impose draconian tax increases on American worldwide companies that would hinder job creation, decrease the competitiveness of American businesses, and deter economic growth.

This legislation would change longstanding U.S. international tax law, the impact of which has never been given proper consideration in hearings or other bills. For example, by denying the foreign tax credit in certain scenarios involving covered asset acquisitions, this legislation hampers acquisitions by American worldwide companies, threatening their ability to create jobs while simultaneously narrowing the tax base. Stripping away the benefits of this provision would likely impede the competitiveness of American worldwide companies in their bids for foreign targets.

Additionally, limiting the use of §956 for foreign tax credit planning (i.e., the "hopscotch" rule) harms the ability of companies to repatriate cash to the United States in a tax efficient manner. Foreign business acquisitions generally result in a series of intermediate foreign holding companies, which block the repatriation of earnings for a variety of reasons such as local statutory earnings deficits or other local restrictions on actual dividends. American worldwide companies have had the ability to overcome such obstacles through the use of §956. This provision was particularly beneficial during the recent economic downturn and ensuing credit crunch when it was necessary for American worldwide companies to repatriate significant funds in order to meet the financial needs of their U.S. businesses. By limiting the use of §956, this amendment would significantly reduce the repatriation of foreign earnings, hurting economic growth and job creation.

The Chamber strongly opposes H.R. 1586 because of the significant changes it makes to U.S. international tax law, which would hurt the competitiveness of American worldwide companies, hinder their ability to create jobs, and harm the U.S. economy. **The Chamber may consider votes on, or in relation to, this issue in our annual *How They Voted* scorecard.**

Sincerely,

R. Bruce Josten