Fair Tax Treatment for U.S. Companies in the International Economy

Current corporate tax laws governing foreign operations of U.S. companies allow for a temporary "deferral" of U.S. taxes *until* those earnings have been paid, typically as a cash dividend, to the parent company.

- The foreign operations of U.S. companies are still subject to taxes in the country in which they operate, just as foreign companies operating in the U.S. are subject to U.S. corporate taxes.
- The temporary tax deferral provides for comparability between taxes on the foreign operations of U.S.-based and foreign-based international companies.
- All OECD members and other major developed countries that tax the worldwide earnings of their international companies permit some form of deferral.
- This arrangement puts the U.S. in line with all other major economies.

The "deferral" system results in a U.S. subsidiary paying the same rate of tax on its foreign operations as paid by a foreign-owned subsidiary while earnings remain reinvested. This permits U.S.-based international companies to compete against foreign-based companies.

- Further limitations on deferral would impose higher taxes on U.S.-based international companies, allowing their foreign-based competitors to reinvest more, expand faster, and sell their products at lower prices than their U.S.-owned competitors.
- Over time, U.S.-based international companies would be unable to profitably compete against foreign corporations, leading to reduced employment and lower wages for American workers at U.S. companies.
- 95% of the world's consumers live outside of the United States. For U.S. companies to serve these markets and increase jobs in the United States, they must be able to compete internationally on a level playing field.

Increased tax burdens on the foreign operations of U.S. multinationals would only put U.S. companies at a disadvantage with their foreign competitors – and sacrifice the U.S. jobs that support these foreign operations.