Deferred tax proposal infuriates local companies
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Western Pennsylvania corporations that operate overseas were among 200 warning congressional leaders that a proposal to limit or end deferred payment of taxes on foreign profits would harm American workers and the economy.

Alcoa Inc., Bayer Corp., PPG Industries Inc., U.S. Steel Corp. and Wesco Inc. were among companies and trade groups who wrote a letter expressing "strong" displeasure with President Obama's effort to eliminate deferred taxes on foreign profits.

Procter & Gamble Co. CEO A.G. Lafley estimated if the tax deferral is eliminated or sharply reduced, American multinationals would pay an additional $210 billion over 10 years.

"This is $210 billion our foreign competitors would not have to pay, and it's $210 billion less to be invested by American companies in research and development, infrastructure and jobs," Lafley said in a guest column published in the Cincinnati Enquirer.

U.S. companies can defer tax payments on foreign profits until the money is brought into the country. Requiring immediate payment of taxes would give an edge to foreign competitors, such as L'Oreal, Unilever, Nestle and Kao, Lafley said.

Two Pittsburgh companies that do substantial business overseas hinted their survival is not tied to the region, or even to the United States, and that the tax proposal might force them to move overseas.

"Let's step back a bit and look at what we need to make aluminum," said Alcoa spokesman Kevin Lowery in Pittsburgh. "We need the raw material bauxite, which is not found here. We also need competitively priced power, like we have in Iceland. And, we want to be close to our markets."

About 47 percent of Alcoa's $26.9 billion in sales were to foreign customers, according to Alcoa's annual report.

"The (Obama) plan places U.S.-based companies at a further disadvantage in the global marketplace," said Christina Reitano, spokeswoman for Kennametal Inc. in Unity. "The tremendous tax increase for operating overseas only puts our foreign competitors in a better position to take lucrative market share, and the additional cash drain for American companies can have a negative impact on U.S. jobs since overseas operations support and create U.S. jobs."

Reitano said Kennametal is the last publicly traded company in the specialty machine tool manufacturing business still headquartered in the United States. "Tax increases such as this only make doing business in the U.S. more difficult," she said. More than half the company's $1.2 billion in six-month revenue came from overseas operations.

Lowery said Alcoa tries to grow inside and outside the United States, and growth takes investment. On Tuesday, Alcoa announced an agreement with the New York Power Authority that saves 930 of 1,100 jobs at two aluminum smelters in Massena, in upstate New York.

Because of the 60 percent drop in aluminum prices since last summer, Alcoa considered curtailing operations at the Massena smelters.

In the letter to Senate Majority Leader Harry Reid, Speaker of the House Nancy Pelosi, Senate Minority Leader Mitch McConnell and House Minority Leader John A. Boehner, the companies and trade groups said repeal of the deferral would upset the balance between American and foreign competitors.

Other letter signers included Caterpillar Inc., ConocoPhillips Co., Bristol-Myers Squibb and General Electric Co.

"Ninety-five percent of the world's consumers live outside the United States," the letter states. "American companies seeking to serve these consumers rely on growth in these markets to restart economic growth and create jobs in for Americans."

The letter states that 22 million Americans work for U.S. multinationals, with millions more Americans employed by numerous small and midsized firms supplying and servicing larger brethren.

"As a global food company, H.J. Heinz Co. has always supported free trade and would be concerned with any tax law change that would put Heinz at a competitive disadvantage versus our international peers," said Michael Mullen, spokesman for Pittsburgh-based Heinz, which did not sign the letter.

Through the first nine months of its current fiscal year, more than 55 percent of Heinz's total revenue, or $4 billion, came from international sales.