

Promote America's Competitive Edge

U.S. Workers Keeping **PACE**
with the World

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PACE Coalition Seeks to Preserve a Level Playing Field for U.S. Companies Competing Abroad

Proposed Changes in U.S. Taxes on Foreign Earnings Would Harm U.S. Jobs

Washington, D.C. – In response to the Administration's announcement today that it would be seeking to raise nearly \$200 billion in new taxes on America's most successful job creators, America's leading business associations announced the launch of a new coalition formed to help preserve American competitiveness and American jobs. The PACE Coalition – Promote America's Competitive Edge – represents thousands of U.S. employers that would be negatively impacted by proposed changes in U.S. corporate tax provisions.

Representing the combined membership of Business Roundtable, the National Association of Manufacturers, the National Foreign Trade Council and the U.S. Chamber of Commerce, the PACE Coalition will advocate for preserving current corporate tax laws governing foreign operations of U.S. companies. The current system allows for a temporary "deferral" of U.S. taxes *until* those earnings have been paid, typically as a cash dividend, to the parent company.

"This is a jobs and fairness issue," said John J. Castellani, President of Business Roundtable. "The overseas operations of U.S. multinational companies support jobs and higher living standards here at home. If the United States moves unilaterally to raise the taxes on U.S. companies operating abroad, it will put our employers at a big disadvantage with foreign competitors."

Castellani noted that 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. If we move forward with these proposals, the U.S. will be creating a less competitive tax system at a time when our major trading partners are moving to more flexible systems.

“Leaving aside the questionable wisdom of raising any taxes in the midst of a deep recession, this proposal is a job-killer for American workers,” said John Engler, President of the National Association of Manufacturers. “U.S. corporate tax rates are already higher than most of the rest of the world. Deferral is essential to the competitive operation of U.S.-owned companies in foreign markets.”

American multinational companies directly employ nearly 22 million U.S. workers, support the jobs of 30 million more, and pay wages that are 24 percent higher than average U.S. private-sector wages. Those 52 million American jobs – 44 percent of the U.S. workforce – depend, in part, on the competitiveness of U.S.-owned foreign affiliates.

“This backdoor attempt to eliminate deferral would saddle the foreign operations of U.S. companies with high taxes their competitors would not have to pay. The results would be disastrous for employment in the United States,” stated Bill Reinsch, President of the National Foreign Trade Council. “We are grateful that Senator Baucus, Chairman of the Senate Finance Committee, has acknowledged that tax policies must be ‘fair and support the global competitiveness of U.S. business.’”

Ninety-five percent of the world’s consumers live outside of the United States. Reaching those consumers by operating directly in their home markets is the only way for American multinational companies to expand their market share and grow their businesses.

“Anything that hurts U.S. competitiveness in foreign markets hurts U.S. workers here at home,” concluded Thomas J. Donohue, President & CEO of the U.S. Chamber of Commerce. “A huge tax hike on U.S. employers is not the way to stimulate our economy. Congress should reject it and vote to keep American companies competitive.”

PACE Website Launched: “www.pace4jobs.org”

The PACE Coalition also announced the launch of its new website, www.pace4jobs.org – which is being designed to serve as a one-stop source of information on deferral and related corporate tax issues. The site includes issue briefs, a deferral “primer,” fact sheets, case studies, a glossary of terms, up-to-date news and information, useful links, and other background information.

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The PACE Coalition is dedicated to promoting and increasing the more than 50 million American jobs that depend on the international competitiveness of U.S.-based multinational companies. The ability of these companies to stem job losses in the United States and eventually return to hiring more American workers depends on the health and vitality of their worldwide operations. To ensure American competitiveness, PACE advocates that the United States maintain a level playing field for taxation of international operations, and not act unilaterally to disadvantage U.S. companies.