



December 16, 2015

The Honorable Richard C. Shelby
United States Senate
304 Russell Senate Office Building
Washington, DC 20510-0103

Dear Senator Shelby:

The National Foreign Trade Council (NFTC) urges Congress to act, as soon as possible, on the Protecting Americans from Tax Hikes Act of 2015 (PATH) to extend a number of pro-growth, pro-competitiveness tax provisions that expired at the end of 2014.

The NFTC, organized in 1914, is an association of some 300 U.S. business enterprises engaged in all aspects of international trade and investment. Our membership covers the full spectrum of industrial, commercial, financial, and service activities, and we seek to foster an environment in which U.S. companies can be dynamic and effective competitors in the international business arena.

We strongly support the inclusion in the PATH tax extenders package the following provisions that expired at the end of 2014:

- The 5-year extension of the look-through rules for payments between related foreign corporations, and
- The permanent extension of the exception from subpart F for active financing income

The "Look-Through" Rules

We support the 5 year extension of current law that allows "look-through" treatment for payments of dividends, interest, rents and royalties between related controlled foreign corporations. Without this provision, which expired at the end of 2014, American companies would be subject to immediate U.S. taxation when they redeploy foreign earnings from active business operations in foreign markets. Foreign businesses competing in the same markets pay no such tax to their home countries. Without the extension of this rule, American companies would be at a competitive disadvantage in serving foreign customers and consumers.

Subpart F Active Business Financing Income

The NFTC supports the permanent extension of the provision that taxes active financial services income earned abroad by foreign subsidiaries of U.S. companies when the financing income is brought back to the United States. While this provision--also known as an exception from

National Foreign Trade Council
1625 K Street NW Suite 200 • Washington, DC 20006 • 202-887-0278

Serving America's Global Businesses Since 1914.

www.nftc.org

subpart F for active financing income--typically is associated with financial service firms, it also is important to U.S. manufacturers with finance and credit affiliates that provide financing for overseas buyers. The ability to provide competitive financing for customers has a direct and positive impact on U.S. exports and manufacturing jobs. Conversely, without an exception from subpart F, these financing arms, unlike their foreign counterparts, are subject to simultaneous foreign and U.S. taxes on their overseas earnings.

NFTC members believe that pro-growth tax law changes, like those described above, will go a long way to shore up business confidence and promote economic growth and job creation. We strongly urge Congress to adopt the PATH bill as soon as possible.

Sincerely,



Catherine Schultz
Vice President for Tax Policy
National Foreign Trade Council
cschultz@nftc.org
202-887-0278 ext. 2023