



October 28, 2008

Taxpayers Support Opening a “Repatriation Window”

Dear Member of Congress:

On behalf of the more than 362,000 members of the National Taxpayers Union (NTU), I urge you to support H.R. 7044. This legislation would schedule a repatriation period for overseas profits of U.S. companies at a reduced tax rate. A similar window in 2004 resulted in the repatriation of \$312 billion, and repeating the exercise now could inject much-needed liquidity into U.S. markets.

The repatriation idea behind H.R. 7044 was prominently featured in the “What a Pro-Taxpayer Stimulus Bill Would Contain” open letter NTU sent to Congress on October 22, 2008. In this letter, NTU noted that “the best way to jump-start the economy is through immediate tax relief for American families and businesses ... reducing the tax burden *now* on individuals and institutions will ensure long-term economic growth *later*.”

Currently, U.S. companies face a tax disincentive when bringing back the earnings of foreign subsidiaries to domestic bank accounts. If there is any shortfall between the tax paid abroad on those earnings and the U.S. corporate income tax rate (which is almost guaranteed, considering that the United States has the second-highest rate in the industrialized world), companies must cut a check to the U.S. Treasury. Needless to say, this doesn’t encourage firms to bring earnings back to the United States.

H.R. 7044 aims to encourage the repatriation of earnings by setting up a one-year “toll” (in effect, a tax of 5.25 percent) on any above-average distribution of dividends from foreign subsidiaries of U.S. companies. If the 2004 repatriation is any indication, hundreds of billions of dollars could be brought back for domestic investment purposes.

Of course, Congress can and should take permanent steps toward reducing America’s corporate income tax burden and instituting a reformed “territorial” tax system. As mentioned above, the U.S. has an extremely punitive corporate income tax rate; should that rate be lowered, the inducement to keep overseas profits in bank accounts abroad would be lessened.

H.R. 7044 is a win for taxpayers, businesses, and the U.S. Treasury, and its provisions should be incorporated into any serious stimulus bill.

Sincerely,

Kristina Rasmussen
Director of Government Affairs