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Protectionist Tax Increase to Pay for Farm Bill Could Spook Global Stock Markets *\$7.5 Billion Tax Increase on Foreign Investment Being Considered by House Leaders*

WASHINGTON – Today the Organization for International Investment expressed grave concern that House Leadership may fast track a discriminatory tax bill (H.R. 3160) introduced just yesterday by Rep. Lloyd Doggett (D-TX) to pay for the Farm Bill, set to be voted on the House floor Thursday. The legislation aimed solely at U.S. subsidiaries of companies based abroad represents a tax increase of \$7.5 billion on companies who are insourcing jobs to the United States (see data and examples of insourcing impact in each state at <http://www.ofii.org/insourcing-stats.htm#statejobs>).

“This protectionist tax hike on companies bringing jobs into the United States comes completely out of left field,” said Todd M. Malan, President and CEO of the Organization for International Investment (OFII) a business association representing 160 of the largest U.S. subsidiaries of companies based abroad. “Global capital markets are worried enough about trade protectionism in Congress, a discriminatory tax aimed at “foreign companies” could spook an already jittery stock market.”

Rep. Doggett’s bill would only apply to U.S. subsidiaries of companies based abroad. It would violate the network of bilateral tax treaties negotiated by the Treasury Department and affirmed by the Senate by forcing companies to pay higher taxes on payments (royalties, interest or management fees) to their foreign affiliates. These affiliates could be in high tax jurisdictions like the UK, Germany or Sweden where there is certainly no motivation to locate for tax reasons. If pointed back at the United State by other countries, Doggett’s proposal would exponentially increase the global tax bill of U.S. companies who frequently set up subsidiaries abroad to manage key functions like finance or intellectual property. This legislation, which represents a major change to U.S. tax law, has never been the subject of a hearing in the House or Senate.

“Doggett demagogues ‘foreign companies’ in his statement yesterday, but this bill substantially raises taxes on companies with operations throughout the United States, like the Samsung semiconductor plant in Austin, Texas where thousands of Doggett’s own constituents work. Members of Congress need to understand before they vote on this measure that this is not a tax hike on ‘foreigners,’ it’s a tax increase on companies in their district,” Malan stated.

U.S. subsidiaries of foreign companies provide 5.1 million jobs, supporting an annual payroll of \$324.5 billion.

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The Organization for International Investment is a Washington-based business association representing U.S. subsidiaries of international companies headquartered abroad (Sony Corporation of America, Nestlé USA, Michelin North America, etc.). For additional information, see OFII’s web site at www.ofii.org