American Chemistry Council
BSA/The Software Alliance
Business Roundtable
Financial Executives International
Information Technology Industry Council
National Association of Manufacturers
National Foreign Trade Council
Organization for International Investment
Semiconductor Industry Association
Software Finance & Tax Executives Council
Trans-Atlantic Business Council
U.S. Chamber of Commerce
United States Council for International Business

June 9, 2014

The Honorable Robert Menendez
United States Senate
528 Hart Senate Office Building
Washington, DC 20510-0103

Dear Senator Menendez:

The bilateral income tax treaties and protocols pending before the Senate are important to U.S. economic growth and U.S. trade and tax policy. We ask for your support for these treaties and protocols and also ask for expeditious action on them by the United States Senate.

No U.S. income tax treaty or protocol has been approved by the U.S. Senate in the last five years. This standstill impedes the ability of the U.S. Treasury to keep our tax treaties in line with changes in policy and bilateral relationships, increasing the potential for double taxation and harming the ability of the IRS and foreign tax authorities to cooperate in the fair and efficient enforcement of the tax laws. Further, it erodes the confidence of treaty partners in the ability of the United States to conclude treaties and protocols governing the careful sharing of tax information.

For over eighty years, income tax treaties have played a critical role in fostering U.S. bilateral trade and investment while protecting U.S. businesses, large and small, from double taxation of the income they earn from selling goods and services in foreign markets. Tax treaties do so primarily by reducing foreign withholding taxes and otherwise restricting the ability of the foreign treaty partner to tax the income of U.S. taxpayers. On a reciprocal basis, tax treaties reduce U.S. withholding taxes to encourage foreign companies to invest in the United States. Where both countries have the right to tax an item of income under the treaty, the treaty seeks to avoid double taxation by requiring one of the countries to allow a credit for the other country's tax (or to exempt the income from its own tax). Tax treaties help the U.S. economy by allowing U.S. companies to more efficiently conduct their businesses abroad and by making the United States more hospitable to foreign investment, which creates and sustains millions of American jobs.

In addition, tax treaties contain administrative procedures for U.S. taxpayers, treaty-partner taxpayers, and the U.S. and foreign taxing authorities themselves to resolve disagreements and to assist in the enforcement of the two countries' tax laws. In these and other ways, the U.S. network of over sixty bilateral income tax treaties plays a significant role in advancing the economic interests of the United States in the global economy.

The pending bilateral treaties and protocols contain pro-investment, pro-trade, and pro-job creation measures and help to coordinate tax administration with our treaty partners:

- The proposed tax treaty with Chile, signed in 2010, would be our first with that country, and its ratification would represent an important milestone in lowering tax barriers to U.S. companies operating in Latin America, where we have few such agreements. The proposed treaty would lower withholding taxes on a bilateral basis and protect the interests of U.S. taxpayers in that country.

- The proposed tax treaty with Hungary, also signed in 2010, would modernize the existing treaty, which was signed when Hungary was part of the Soviet bloc. The new treaty also would close a "treaty shopping" loophole in the existing treaty that currently allows non-Hungarian companies to obtain U.S. tax benefits even if their home country does not grant benefits to U.S. companies.

- The Swiss and Luxembourg treaty protocols, both signed in 2009, would among other measures update our information exchange provisions with those countries. The Swiss Protocol in particular would specifically protect against "fishing expeditions" by either country, while enabling the U.S. Government to collect U.S. tax revenues from hidden offshore accounts of U.S. tax evaders. The Swiss Protocol was ratified by Switzerland on March 5, 2012.

Treaties and protocols such as these have routinely been approved by unanimous consent. These treaties promote good business and financial decisions based on free-market principles rather than government influence. They incorporate reforms that foster robust economic growth and build on long-term investment partnerships between the United States and our tax treaty partners. Their contents are the product of years of dialogue among Committee Members, the Joint Committee on Taxation, the Executive Branch, and interested stakeholders in the U.S. and abroad.

The bilateral tax treaties and protocols before the Senate generally follow long-established policies contained in the U.S. Model Tax Treaty. The tax treaties and protocols have been reported out of the Senate Foreign Relations Committee without amendment or reservation.

We encourage prompt consideration and approval of these pending tax treaties and protocols by the United States Senate.

Sincerely,

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