Bring back the money:
The United States Job Creation and International Tax Reform Act of 2012

On Thursday, February 9, 2012, U.S. Senator Michael B. Enzi (R-WY) introduced S. 2091, the *United States Job Creation and International Tax Reform Act of 2012*. It's legislation that would encourage U.S.-headquartered multinational companies to bring back the money.

While U.S. tax policy sleeps, the countries we compete with have revamped their laws to lure American companies, their capital and their ideas to foreign shores. This bill would level the playing field for U.S. companies, helping them to grow at home and our country's opportunities to grow with them.

The problem

The rest of the developed world has moved forward in modernizing their international tax rules to ensure their domestically-based companies are competitive in the global market. The United States has fallen behind. We have forced our multinational companies to operate within a set of tax rules that are nearly 50 years old. When platform shoes and American Bandstand were in full swing our country didn't have to worry as much about competing in foreign markets. Our international tax laws were not designed with an eye for foreign competition and the growth of foreign markets. They need to be now.

Sen. Enzi's international tax reform legislation recognizes this need and would modernize the tax rules so that U.S.-based companies are competitive with their foreign counterparts. It would give U.S. companies incentives to create jobs in the United States and undertake activities in America in order to win in the global marketplace.

What does the bill do?

- Provides a 95 percent exemption from U.S. tax for foreign earnings that have already been subject to tax in a foreign country. This is similar to the tax systems that the United States' major trading partners have adopted. It would create a level playing field for U.S.-headquartered companies when they compete in foreign countries by nearly eliminating the additional U.S. tax that is imposed on foreign profits when they are brought back to the United States. This would allow for American-managed capital to be put to its most productive use and help stabilize our economy.

- Allows for foreign earnings currently held overseas to be brought back to America at a reduced tax rate. As part of a transition to the new tax system, U.S. multinationals would have an option during the first year after enactment of this legislation to either distribute cash dividends to the United States or simply include in their U.S. taxable income any or all of their foreign earnings currently being held offshore. These earnings would be taxed at a reduced U.S. tax rate. The tax due on these earnings could be paid over a period of up to 8 years. Doing so would allow companies to quickly transition to the new tax system and unlock in America a significant amount of capital currently being held offshore. That would mean more jobs and a better economy. If a company chose not to distribute foreign earnings to the United States during this one-year period, then it would be subject to the full U.S. tax rate when the earnings are brought back home. The benefits of the new tax system would be put on hold until all of those foreign earnings were subject to full U.S. taxation.

- Imposes a reduced U.S. tax rate on certain income generated by domestic companies from ideas and inventions. People worry the current U.S. tax system encourages U.S.-headquartered companies to transfer rights to certain ideas and inventions to low- or no-tax countries. This bill, through a reduced U.S. tax rate on the income from ideas and inventions, would encourage companies to develop and keep rights to the ideas and inventions in the United States.

It is the Senator's intention that the bill not add to the deficit. A revenue estimate has been requested but has not yet been received. In the interim, the Senator requests that all interested stakeholders be actively engaged in the process and provide comments on the legislation.

What's next?

Sen. Enzi views this legislation as the first in a series of steps to comprehensively reform the United States tax code. Additional tax reform efforts will focus on the tax rules affecting individuals, corporations, and businesses that operate in flow-through form (i.e., partnerships, S-corporations, and limited liability companies).