 extensions of remarks

international tax simplification for American competitiveness act

hon. sander m. levin
of michigan
in the house of representatives

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Mr. LEVIN. Mr. Speaker, today I am introducing along with my colleagues Representatives HOUGHTON, MATSU, SAM JOHNSON, HERGER, ENGLISH, and CRANE to introduce our bill, "The International Tax Simplification for American Competitiveness Act of 1999." There has been general agreement that the current U.S. rules for taxing international income are unduly complex. This legislation addresses these problems by rationalizing and simplifying the international tax provisions of the U.S. tax laws by simplifying foreign tax credits; encouraging policies that promote incentives for performance of research and developing in the United States; enhancing U.S. competitiveness in other industrialized countries; and minimizing revenue loss.

Our current tax policies are out of sync with our trade policies and the realities of the global marketplace. In the early 1960s, U.S. companies focused their manufacturing and marketing strategies in the United States, which at the time was the largest consumer market in the world. U.S. companies generally achieved economies of scale and rapid growth-selling exclusively into the domestic market. In the early 1960s, foreign competition in U.S. markets generally was inconsequential. The picture today is completely different. First, U.S. companies now face strong competition at home. Since 1980, foreign direct investment in the United States has increased by a factor of six (from $216 billion to $752 billion in 1997), and imports have tripled as a share of GDP from an average of 3.2 percent in the 1960s to an average of over 9.6 percent over the 1990-97 period. Second, foreign markets are more attractive today than they were in the past. For example, from 1986 to 1997, foreign sales of S&P 500 companies grew 10 percent a year, compared to domestic sales growth of just 3 percent annually. Foreign markets also afford increasingly attractive investment opportunities.

From the perspective of the 1960s, there was little apparent reason for U.S. companies to direct resources to penetrating foreign markets, since U.S. companies should achieve growth and profit levels that were the envy of their competitors with minimal foreign operations. By contrast, in today's economy, competitive success requires U.S. companies to execute global marketing and manufacturing strategies with the result that provisions of our tax system designed when foreign operations were viewed as presumptively tax-motivated have become increasingly outmoded.

It is because of the great changes in global trade that we involved ourselves in this issue. The current rules guiding our international tax policies were written at a time when the focus was on preventing tax avoidance, not on promoting international competitiveness. Our main goal this year is to build on the successes that we had in the 105th Congress. This will be our fourth bill in this area, and our third with our Senate counterparts, Senators HATCH and BAUCUS. It includes some new provisions, but in many ways reflects the reality that much has been done to correct some of the problems facing U.S. industries in this arena, but there is a great deal of work left to be done.

Our first order of business is to simplify the international tax regime to ensure American competitiveness both at home and abroad. The tax provisions that we are introducing today will significantly affect the national welfare and will enhance the participation of the United States in the global economy of the 21st century. I look forward to working with my House and Senate colleagues to pass this important piece of legislation into law.