United States Senate
WASHINGTON, DC 20510

October 11, 2011

The Honorable Patty Murray	The Honorable Jeb Hensarling
The Honorable Max Baucus	The Honorable Xavier Becerra
The Honorable John Kerry	The Honorable David Camp
The Honorable Jon Kyl	The Honorable James Clyburn
The Honorable Rob Portman	The Honorable Fred Upton
The Honorable Pat Toomey	The Honorable Chris Van Hollen

Dear Members of the Joint Select Committee on Deficit Reduction:

Would you support a proposal that would:

- **Reduce American jobs; AND**
- **Increase the deficit by $80 billion; AND**
- **Push corporate funds offshore?**

We don't.

Those types of consequences were the result of the last repatriation tax break in 2004, when U.S. multinationals were allowed to repatriate foreign earnings at a tax rate of 5.25%, and they can be expected to occur again if a repatriation tax break is repeated.

The 2004 repatriation tax break did not achieve any of the results it promised: it did not increase U.S. jobs; it did not accelerate research and development; and it did not reduce the deficit. Instead, it was associated with corporations buying back their shares to prop up their stock price, increasing executive compensation, and stockpiling even more money offshore. Those are the findings of a new majority staff report released by the Permanent Subcommittee on Investigations examining the top U.S. multinational corporations that repatriated the most funds in response to the 2004 legislation. Among the surveyed corporations, 63% reduced American jobs and, overall, job losses outweighed gains. In addition to collecting evidence directly from the largest repatriating corporations, the report reviewed academic research for all repatriating corporations. Numerous reports on the 2004 tax break substantiate the Subcommittee's work.

Among the most disturbing of the report's findings is how the 2004 repatriation tax break encouraged tax haven stockpiling of corporate assets. The report found that 37% of the U.S. corporations it surveyed had moved between 90% and 100% of their repatriated cash from tax haven jurisdictions. In addition, after that repatriation, the report found that 8 of the top 10 repatriating corporations proceeded to build up offshore cash every single year from 2006-2010, at a greater rate than before the 2004 tax break, shifting billions of dollars offshore in likely anticipation of another chance to benefit from an extraordinarily low tax rate. Across all repatriating corporations, the Congressional Research Service found that unrepatriated offshore funds grew by 81%. The bottom line is that repatriation tax breaks encourage U.S. corporations to shift cash, assets, operations, and jobs offshore. That type of tax incentive makes no sense for the U.S. economy or American jobs.

In today's economic environment, the results of another repatriation tax break could be devastating. The Joint Committee on Taxation has estimated that the tax break would cost the U.S. Treasury nearly $80 billion over ten years, as more corporations move profits offshore in anticipation of getting a 5% tax rate down the road. That tax drain would deepen the deficit instead of reduce it. In addition, domestic corporations, especially small businesses without offshore operations, would be stuck with a relatively higher tax burden and would operate at a competitive disadvantage to multinationals. More jobs and profits would move offshore.

U.S. corporations currently have more than $2 trillion in domestic cash on hand – a record amount. They don't need additional capital to hire workers, increase R&D, or make new domestic investments. The American people can't afford a corporate tax windfall that would deepen the deficit without producing commensurate benefits for the economy. For those reasons, we urge you to oppose any legislation creating another repatriation corporate tax break.

For a copy of the report on the 2004 repatriation tax break, please go to the Investigations website under the Subcommittees tab at: http://hsgac.senate.gov/, or contact Subcommittee staff at: allison_murphy@hsgac.senate.gov.

Sincerely,

Kent Conrad

KENT CONRAD
Chairman
Senate Budget Committee

Carl Levin

CARL LEVIN
Chairman
Permanent Subcommittee on Investigations