Committee On Finance
Max Baucus, Ranking Member

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Statement of U.S. Senator Max Baucus
U.S. Senate Finance Committee Mark-Up of S. 1637
Jumpstart Our Business Strength (JOBS) Act

Today, we take an important step to help create and keep jobs here in America. As Americans know all too well, our country is losing jobs. Since February 2001, private sector employment in America has fallen by 3.3 million jobs, according to the Labor Department.

And the manufacturing sector has borne the brunt of this downturn. Since its peak in June 2000, manufacturing employment has declined continuously every month for 37 months. Manufacturing alone has lost 2.7 million jobs since then. Manufacturing has suffered across the country. Every state in the Union, except for Nevada, has lost manufacturing jobs. 49 out of 50 states have lost manufacturing jobs. Manufacturing makes up a quarter of Montana's economic base. These are good jobs, with good pay. And Montana has lost 13 percent of those jobs since 2000.

Manufacturing jobs are important to the entire economy. Manufacturing jobs create work in supporting industries and other sectors. And manufacturing has one of the highest job-creation multiplier effects. Every 16 million manufacturing jobs create another 9 million jobs in retail, wholesale, finance, and other sectors. The current job losses in the manufacturing sector thus affect the entire U.S. economy through reduced purchasing power, decreased consumption, and a shrinking tax base.

We cannot afford to let this job loss continue. We need to do something for the manufacturing sector. Today, we will act. Today, we will cut taxes for domestic manufacturers. And today, we will simplify taxes for American companies operating overseas. I am pleased that the Committee is today taking up this important bill that the Majority Leader, Chairman Grassley, Senator Hatch, and I have introduced. It will help prevent layoffs. It will help preserve jobs.

And another reason why we act today is to respond to an international tax case that the United States lost in the World Trade Organization (WTO). In a dispute brought by the European Union, the WTO found that the Foreign Sales Corporation (FSC) and Extraterritorial Income Act (ETI) were impermissible export subsidy programs.

As a result, the WTO has authorized over $4 billion in sanctions against U.S. exporters. The EU has threatened to impose these sanctions on January 1, 2004, if we have not complied with the WTO's ruling. Thus we need to replace FSC/ETI. And we need to replace it with a worthy substitute. The bill we consider today — the JOBS Act — does just that.

Our bill replaces a tax incentive that was dependant on exports with a tax incentive that is not dependant on exports. This bill will solve the WTO problem. Our bill will partially offset the loss of tax benefits to U.S. exporting companies from the repeal of FSC/ETI. And it will also provide benefits to all American manufacturers. It will provide a needed boost for this important sector.

I am pleased that the modification to the Chairman's mark will expand tax relief to partnerships and sole proprietorships. Our smaller businesses — the backbone of my state's economy — deserve tax relief just as much as larger businesses. In addition, by including partnerships and sole proprietorships, more of our agriculture producers will become eligible for this tax relief. By widening our tax relief umbrella, we will protect even more American jobs.

I am also pleased that the modification to the Chairman's mark will expand tax relief to cover softwood timber and oil and gas refining. When we wrote the FSC law, we had concerns about exporting these items. Now that we are revising the law to extend tax relief to all U.S. manufacturers, we need to include these vital industries, as well.

We are also starting off on the right foot by paying for this JOBS bill. In the face of large deficits and great uncertainties, paying for tax cuts is the responsible approach. The JOBS bill is completely paid for. Repealing the old FSC/ETI regime will cover most of the cost of the new tax incentive. We are helping our domestic manufacturers without adding a nickel to the Federal deficit.

We are paying for some long over-due international tax reforms by including a number of worthwhile policy measures designed to restore fairness and integrity to our tax system. The Committee is familiar with these offsets. And all have been approved by the Senate — at least once and in some cases more than once. In essence, the additional offsets included in this package are not tax increases but rather provisions designed to curb abuses and encourage tax law compliance. They will help restore a level playing field for businesses that for too long have had to compete against those who have been avoiding tax.

We need to move the JOBS bill through Congress quickly in order to avoid the potential European Union sanctions that could result in more job losses. So let us begin today to address this issue, and to do something to help our nation's manufacturing sector.

Mr. Chairman, thank you for working with me and Members of the Committee to fashion this legislation. I look forward to continuing to work together with you as we seek both to meet our international obligations and to strengthen our nation's economy.

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