Crapo Statement at Hearing on U.S. International Tax Policy
March 25, 2021

WASHINGTON – U.S. Senator Mike Crapo (R-Idaho), Ranking Member of the U.S. Senate Finance Committee, delivered the following remarks at a hearing entitled, "How U.S. International Tax Policy Impacts American Workers, Jobs and Investment."

The text of Ranking Member Crapo's remarks, as prepared, is below.

"Mr. Chairman, thank you for holding this hearing today. Thank you to our panelists for joining us today.

"Before the Tax Cuts and Jobs Act (TCJA), we shared a common concern for the many threats to the U.S. corporate tax base and the collateral threats to U.S.-centered economic activity, including investment, growth and jobs.

"Corporate inversions were on the rise as a defensive strategy adopted by U.S. businesses to ward off foreign takeovers.

"The combination of one of the world's highest corporate tax rates of 35 percent and the disadvantages of the U.S. worldwide deferral system made it a losing proposition to be a U.S.-based company when competing in overseas markets.

"That environment led this Committee's bipartisan working group chaired by Senators Portman and Schumer to conclude that our international tax system was 'clearly broken.'

"I challenge anyone to reasonably argue that we should return to the pre-TCJA international tax landscape.

"Our shared view was not limited to the state of our flawed system, there was also bipartisan agreement on the optimal path forward.

"President Obama, then-Senate Finance Committee Chairman Baucus and then-House Ways and Means Committee Chairman Camp all proposed lower tax rates with minimum taxes on foreign earnings.

"There is nothing controversial about the problems that plagued our international tax system or our collective acknowledgment of the fundamental changes that needed to be made.

"Consistent with these bipartisan objectives, TCJA reduced the corporate tax rate, ended the deferral system and introduced a new minimum tax on foreign earnings of U.S. companies, as well as other anti-abuse rules to prevent base erosion.

“While the reduced corporate rate moved the United States more in line with the rest of the world, the anti-base erosion measures that were enacted into law are the most robust in the world.

“Indeed, they are prompting other countries, through the OECD, to consider similar measures.

“The goal of our new system was to both ensure the United States, and U.S. companies, are competitive in the global marketplace and to protect the U.S. tax base.

“TCJA is a vast improvement over the prior system. Since TCJA, the flood of inversions has ceased entirely, and U.S. companies are no longer easy targets for takeovers.

“Prior to the pandemic, U.S. companies were sharing their business stories of increased investment, wages paid to workers, and jobs in the United States – outcomes I expect to resume once our economy can reopen completely provided adverse changes are not made to the tax rules.

“It is, of course, healthy to deliberate and consider refinements to allow U.S. companies to further invest and expand in the United States without harming their ability to compete, especially considering the precarious environment many businesses find themselves in as they recover from the pandemic.

“Markets abroad are vast, and we want U.S. companies to be competitive in their ability to serve those markets and not be hamstrung by uncompetitive taxation.

“What we should not do is hastily change the system purely for purposes of raising revenue, bringing inversions and foreign takeovers of U.S. companies right back to the forefront.

“Unfortunately, that may be the misguided direction in which the Administration wishes to proceed.

“Let us not forget, those inversions and foreign takeovers were real, and not just academic estimates from certain questionable studies we have seen in the area of international effects of taxation.

“Some of those studies, dealing with so-called stateless income, profit shifting, and base erosion, play very fast and loose with data and methods.

“Sometimes, in those analyses, politics and advocacy for political position overcomes rigor, and it shows.

“Under President Biden’s proposed corporate rate increase, which would result in a combined U.S. rate of nearly 33 percent, we again would have one of the highest combined statutory tax rates among developed countries.

“Worse, the President’s proposed 100-percent increase in the GILTI rate, one current provision of the international part of the tax code, would put the United States at an even greater disadvantage, as no other country taxes foreign earnings at even close to that rate.

“America’s future jobs, income growth and prosperity will depend on how well U.S. businesses compete, in this country and in foreign markets. American headquarters, research and other domestic jobs depend on U.S. firms’ viability here and abroad.

“Strong U.S. companies mean financial security for millions of Americans who need look no further than their 401(k) accounts and IRAs, which hold the largest plurality of publicly-traded stock.

“As the Schumer-Portman working group said, ‘When U.S. businesses can compete and win in this growing global market, the *real* winners are U.S. workers.’

“As we examine proposals that would dramatically alter TCJA’s international provisions, we should test the potential outcomes against our shared policy objectives voiced before and since the TCJA.

“Will the U.S. tax base be strengthened? Will U.S. growth rise? Will U.S. workers have better job opportunities and wages? Will U.S. workers and retirees see their retirement account balances rise?

“Mr. Chairman, I look forward to hearing from today’s witnesses.”

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