Senate Democrats' International Tax Plan Would Drive U.S. Businesses, Jobs, and Investment Overseas

Tax Hikes Would Give Our Biggest Foreign Competitors, Like China, a Winning Hand

The international tax plan released by Senate Democrats would create an unlevel playing field, making it impossible for U.S. businesses to compete in the global marketplace. The tax increases would overwhelmingly apply to U.S. companies, including manufacturers and small businesses. As a result, the United States would become a far less attractive location for jobs and investment, and American companies would once again be targets for foreign takeovers and inversions.

The Democrats' plan would increase the global minimum tax on U.S. companies, introduce unworkable complexity, and make it a better deal to be based overseas than in the United States.

The Tax Cuts and Jobs Act (TCJA) introduced a first-of-its-kind global minimum tax – GILTI. **No other country has since enacted a minimum tax**. GILTI already results in an overall 16 percent tax rate, higher than the 15 percent rate agreed to as part of the OECD global tax deal.

The Democrats' plan would:

- Increase the GILTI tax, potentially doubling the rate and effectively returning the United States to a worldwide system, which both parties agreed made American companies less competitive. **The plan would send U.S. jobs and intellectual property (IP) overseas**.
- Eliminate the GILTI exemption for routine returns on certain business asset investments, called QBAI. This would put U.S. companies at an **even greater disadvantage because the OECD global tax deal would allow a more generous exemption for foreign companies**.
- Require **dizzyingly complex country-by-country effective tax rate calculations.** These calculations **would be unadministrable for U.S. companies and virtually impossible to audit**, setting up our businesses and the IRS for failure.

The plan would dismantle FDII, a provision that has encouraged American companies to bring IP, jobs, and investment back to the United States.

TCJA created FDII, which encourages U.S. companies to locate their IP in the United States. Companies like Cisco, Google, Facebook, and Qualcomm have relocated IP, related jobs and investment to the United States as a result of FDII. Despite Democrats' false rhetoric on offshoring, a recent analysis shows that top technology companies brought back a "whopping $59.8 billion into the United States in 2020 because of the TCJA." Clearly, FDII is having its intended effect.

The Democrats' international plan would completely dismantle FDII, incentivizing U.S. companies to move their IP offshore. Meanwhile, our foreign competitors, like the United Kingdom and half of the remaining EU countries, provide significant incentives for IP location. **Not only would the Democrats' changes encourage U.S. companies to move IP offshore in order to compete, but the very same American companies that brought IP and jobs back to the United States after the TCJA would be punished by Democrats' pulling the rug out from under them**. Democrats should allow FDII to continue working to protect American jobs and investment.