



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Chairman Grassley
Mark-up of the JOBS Act
Oct. 1, 2003

A little over a year ago, the business community in America faced a terrible choice – a choice that would increase taxes on some businesses and shift those taxes to other businesses. At the time, many people called this a “false choice.” Today, we are here to give America a “winning choice.” It is a choice that benefits all, and does so in a revenue neutral manner. Our bill contains a solid balance of domestic tax relief and international tax reforms to strengthen American business. Today, we will vote on a measure to revive manufacturing in America. We will reduce the tax rate for U.S. manufacturing by 3 percentage points. We start phasing in those cuts next year. These cuts are for all who manufacture in America, regardless of their size. Sole proprietors, partnerships, and corporations of all size, large and small, domestic and international, and even foreign-owned companies that make things here. These benefits also extend to farmers, miners, lumberjacks, and anyone else who manufactures, grows, or extracts products in the United States. Over the past several years, we have lost millions of manufacturing jobs. Working families live in financial fear. We owe a secure future to these hard working men and women. For them to have a secure future, their employers must be able to compete and thrive, both at home and abroad. Their employers cannot thrive if they are burdened with excessive tax rates at home, and tax barriers abroad.

Flaws in our international tax rules seriously undermine America’s ability to compete in the global marketplace. In April of 2002, Sen. Baucus and I introduced a bill to stop corporate expatriations. When we introduced that bill, I said that the rising tide of corporate expatriations demonstrates that our international tax rules are deeply flawed. I pledged that U.S. companies who refused to expatriate should not be left to struggle with the competitive disadvantages of our international tax rules. This is an unjust result for companies that chose to remain in the United States. Today, we are going to deliver on that pledge. We have selected many international tax reforms that directly benefit manufacturers. We clean up problems that cause foreign earnings to be double taxed. We reform Subpart F to ensure that active business operations are taxed when the money is brought home, and not when the companies are locked in battle with foreign competitors who don’t pay taxes. International tax reform is long overdue. Our current system is based on a framework enacted during President Kennedy’s administration.

In an era of expanding global markets, falling trade barriers, and technological innovations that melt away traditional notions of national borders, it is critical that our international tax laws keep pace with new business realities. I have also included the Homeland Reinvestment Act, sponsored by Sen. Smith and Sen. Ensign. This bill encourages companies to bring their foreign earnings back

to the United States, by providing a temporary reduced rate of tax. I promised Sen. Ensign that I would include the Act in a mark-up, and I am delivering on that promise today. Perhaps the most important news is that we repeal FSC-ETI. You may have seen recent news reports that the EU intends to impose sanctions if we do not repeal FSC-ETI this year.

This is a very serious threat to American workers, manufacturers, and farmers. The WTO has ruled that FSC-ETI is an illegal export subsidy, and has authorized the EU to impose up to \$4 billion a year in sanctions on U.S. exports. We all know that if sanctions come, they could fall on farm products and manufactured goods. That could cost more jobs and more losses. Those sanctions could start in January if we do not act this year. Our approach to FSC-ETI repeal is very straightforward. We take the proceeds from FSC-ETI repeal and put it back to the manufacturing industries that it came from. Every dime of FSC-ETI repeal goes back into manufacturing. We provide a soft landing for current FSC-ETI users by providing a 3-year transition that, each year, gives them up to 80% of last year's ETI benefits. Then we add international reforms that will help American manufacturing and farming, and provide domestic tax relief for U.S. companies that may be in a down cycle. And the mark does all of this in a revenue neutral manner. Our mark is a balanced solution that not only prevents Europe's sanctions, but also gives a real shot in the arm to U.S. farms and businesses. I ask for your support of our efforts here today.