April 14, 2015

The Honorable Rob Portman
Co-Chairman
International Tax Working Group
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Charles Schumer
Co-Chairman
International Tax Working Group
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Senators Portman & Schumer:

As champions of manufacturers, fishermen and farmers, we ask you to stand by the American exporting community and oppose efforts to raise taxes on this vital part of the economy.

Last year, the Senate Finance Committee released a "discussion draft" making changes to how the US taxes business income earned overseas. Among other provisions, that draft would have repealed the interest charge domestic international sales corporation structure (IC-DISC). The Committee correctly chose not to pursue this policy, but with international tax changes once again being actively discussed in both the House and the Senate, we wanted to reiterate our strong support for the IC-DISC.

Raising tax rates on American exporters makes little sense. A broad goal for tax reform should be to make the U.S. a more attractive place to invest while reducing the incentive for firms to move jobs and facilities overseas. The IC-DISC was enacted back in 1984 to accomplish exactly these goals. According to the Joint Committee on Taxation, "IC-DISC was intended to increase U.S. exports and provide an incentive for U.S. firms to operate domestically rather than abroad." Repeal of the IC-DISC, on the other hand, would have exactly the opposite effect by raising taxes on dividends derived from exporting activity.

The essential characteristics of the IC-DISC structure makes it an ideal means of promoting U.S. products overseas. The lower rate applies to dividends from export income only, while the structure of the IC-DISC lends itself to small and closely-held businesses. It helps those firms compete in overseas markets against competitors who often benefit from specific, targeted subsidies. The IC-DISC helps level the playing field between our exporters and their foreign competition.

This issue is of great importance to America's manufacturers. According to a survey of small and mid-size manufacturers by the accounting firm RSM-McGladrey, nearly 20 percent of respondents said they utilize the IC-DISC to make their exporting business more competitive. These companies are exactly the type of manufacturers Congress has sought to assist in the past, and these are the companies that should be helped through tax reform, not hurt.

The undersigned associations, representing thousands of American exporters and their employees, implore you to preserve the IC-DISC structure. The IC-DISC was enacted to help American exporters survive and create new jobs here in the United States and it should be preserved. At a time when American manufacturers and American agriculture are under unprecedented pressure from overseas competition, Congress can ill-afford to unilaterally repeal the most effective export policy remaining in the tax code.

Thank you in advance for standing up for American manufacturers and other job creators and opposing efforts to take this benefit away from small and closely-held exporters.

Sincerely,

AMT-The Association for Manufacturing Technology
At-sea Processors Association
Financial Executives International
Freezer Longline Coalition
Groundfish Forum
Indiana Manufacturers Association
Manufacturers Association of Central Florida
Metal Service Center Institute
National Small Business Association
National Tooling and Machining Association
Northwest Horticultural Council
Precision Metalforming Association
S Corporation Association
Small Business Exporters Association
Utah Manufacturers Association
West Coast Seafood Processors Association