Statement of the U.S. Chamber of Commerce

ON: Comprehensive Tax Reform Comments

TO: U.S. Senate Committee on Finance
Tax Reform Working Groups

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The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber is dedicated to promoting, protecting, and defending America's free enterprise system.

More than 96% of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. We believe that global interdependence provides opportunities, not threats. In addition to the American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on issues are developed by Chamber members serving on committees, subcommittees, councils, and task forces. Nearly 1,900 businesspeople participate in this process.

INTRODUCTION

Chairman Hatch, Ranking Member Wyden, Members of the Committee, and tax working group members, the U.S. Chamber of Commerce greatly appreciates the opportunity to comment on how we can reform the tax code.[1]

The Chamber appreciates the commitment of the Committee and the working groups to comprehensive tax reform. We applaud Chairman Hatch, Ranking Member Wyden, and the Committee for engaging stakeholders through such an open and transparent process. We also understand the challenges presented by this kind of reform but urge the Committee to continue its work to reform the code as soon as possible. Further, as Congress works towards that goal, we strongly urge, that in the interim, no adverse changes be made to current tax policy.

REVENUE AND SCORING ISSUES

As a cursory matter, the Chamber believes that taxes should be levied for the purpose of obtaining those revenues necessary to fund limited government expenditures in a way that minimizes the negative impact on taxpayers, overall economic growth, and the international competitiveness of American business. Further, Congress should give equal attention to government spending to strike a reasonable balance with a tax code that fosters economic growth, job creation, and investment.

Discussions of tax reform frequently focus on "tax expenditures" contained in the Code. The Chamber believes that these tax expenditures are impossible to define, measure, or aggregate accurately. Revenue estimates of tax expenditures have become such an integral part of the tax policymaking process, however, that how they are conducted is of paramount importance. Thus, as Congress considers comprehensive tax reform, the Chamber urges revenue estimators to take into account likely changes in taxpayer behavior rather than assuming that taxpayers will not take changes in the tax law into consideration.

As noted by the nonpartisan Tax Foundation,[2] dynamic scoring provides "an estimate of the effect of tax changes on jobs, wages, investment, federal revenue, and the overall size of the economy," thereby allowing policymakers to differentiate between policies that look similar under static scoring models, but which have "vastly different effects on economic growth under dynamic scoring."

A 2013 study[3] by the Tax Foundation highlights the need for such "dynamic" revenue scoring. While noting that static scoring has "the advantage of simplicity, and it is not too far from the truth for tax changes that either have little impact on incentives at the margin or affect

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[1] All references to the code are to the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

[2] See Hodge, Tax Foundation, "Dynamic Scoring Made Simple," *available at* http://taxfoundation.org/article/dynamic-scoring-made-simple. See also Lazear, "Scoring Legislation for Growth: New laws have economic consequences. Ignoring them doesn't make a bill 'neutral.'," *Wall Street Journal* (January 7, 2015), *available at* https://www.uschamber.com/letter/hill-letter-hr-1105-death-tax-repeal-act-2015.

[3] See Schuyler, Tax Foundation, "Growth Dividend from a Lower Corporate Tax Rate," *available at* http://taxfoundation.org/article/growth-dividend-lower-corporate-tax-rate.

parameters that do not respond much to incentives," they note that this is an "extremely unrealistic assumption," particularly in the case of the corporate income tax rate. They further note that:

> [c]hanges in that rate do alter rewards at the margin and investors respond strongly to incentives. In other words, when the full economic effects of cutting the corporate income tax rate are taken into account, the federal treasury would collect more in total revenue than it would lose from the lower rate.[4]

On January 6, 2015, the House approved rules[5] that include a provision requiring the use of dynamic scoring for major legislation; these rules are not binding on the Senate. Furthermore, in January, Senator Rob Portman (R-OH) introduced legislation[6] that would require dynamic scoring of major tax legislation. The Chamber is encouraged by these legislative efforts to consider behavioral changes as comprehensive tax reform advances and believes consideration of the dynamic impacts of tax policies is imperative in comprehensive tax reform.

COMPREHENSIVE TAX REFORM

The Chamber believes that Congress should undertake comprehensive tax reform – both the individual and corporate tax codes should be reformed simultaneously. The individual and corporate codes are intertwined in such a manner that they must be reformed at the same time.

For example, business tax expenditures included in the code apply to both corporations and pass-through businesses (non-corporate firms such as sole proprietors, S-corporations, limited liability corporations, and partnerships). If corporate tax reform were to take place separately from individual tax reform, and the corporate rate were lowered in exchange for the elimination or reduction of business tax expenditures, pass-through entities would lose the benefit of business tax expenditures without a corresponding rate reduction, thereby harming those businesses.

Likewise, there are many additional interactions between the individual and corporate codes, such as the double taxation of dividends. As such, the Chamber believes that reform must look at both parts of the code simultaneously to ensure consistency across the code and overall pro-growth tax policies.

Additionally, the interrelationship of large businesses, often operating under the C corporation portion of the code, and small businesses, often organized as pass-through entities, is undeniable. According to a recent study,[7] the supplier-buyer relationship between American

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[4] See id.
[5] H. Res. 5.
[6] See S. 200, the "Accurate Budgeting Act" (introduced 1/21/15, referred to the Committee on the Budget). Note that even during a Democratically controlled Senate, a majority of that body endorsed "dynamic scoring" of changes in tax law during the budget process in 2013. See "The Senate Gets Dynamic," *Wall Street Journal* (4/1/013), *available at* http://online.wsj.com/article/SB10001424127887324685104578386280984564380.html?mod=ITP_opinion_2.
[7] See "Mutual Benefits, Shared Growth: Small and Large Companies Working Together," *available at* http://businessroundtable.org/uploads/studies-reports/downloads/Small_Big_Business_Report_FINAL.pdf. The study concluded that, "[p]arent operations of U.S. multinational companies buy nearly a quarter of all the goods and

small businesses and large American companies is a basic and entrenched aspect of our economy. Large companies are major customers of small businesses and play a critical role in their growth and success. This once again drives home why we must reform both the individual and corporate codes simultaneously.

MARGINAL RATE REDUCTION

Low tax rates promote capital formation and economic growth. Thus, the Chamber believes that tax reform should lower the marginal tax rates to a level that will enable U.S. businesses to compete successfully in the global economy, attract foreign investment to the United States, increase capital for investment, and drive job creation in the United States.

Corporate Rate Reduction

High Rates and Inaction

Currently, the United States has the highest statutory corporate income tax rate among Organisation for Economic Cooperation and Development (OECD) countries.[8] At 39.1%, the U.S. combined statutory corporate income tax rate is completely out of step with other major industrialized OECD nations.

While tax expenditures that are employed by U.S. businesses reduce the statutory rate, they do not ameliorate it entirely. As noted by the Tax Foundation, "studies show that even the *effective* corporate tax rate in the United States is one of the highest in the world."[9] In fact, at 35.3% the United States has the second highest marginal effective tax rate on capital (METR) among OECD countries. The United States recently lost – to France, in 2014 – the dubious distinction of holding the number one position on the METR when France's METR increased to 36%.[10] Whether comparing statutory rates or METRs, the U.S. corporate income tax rate is uncompetitive with the rest of the industrialized world.

Other countries have lowered rates in order to attract business capital within their borders, while we have failed to act. As the Tax Foundation notes, "since 2005, 63 countries have cut their corporate tax rates, lowering the average tax rate to 24.4% across the 95 countries surveyed."[11]

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services they use as inputs in their production from U.S. small businesses – more than an estimated $1.5 trillion annually; and [e]very $1 billion in new exports by large U.S. companies would result in approximately $174 million in new purchases of goods and services from America's small businesses."

[8] See OECD Tax Database, *available at* http://www.oecd.org/tax/tax-policy/tax-database.htm.

[9] See Schuyler, Tax Foundation, "Growth Dividend from a Lower Corporate Tax Rate," *available at* http://taxfoundation.org/article/growth-dividend-lower-corporate-tax-rate (emphasis added). They note that across all 13 studies they examined, the U.S. effective corporate tax rate exceeded the foreign average by 7.6 percentage points, if all countries are counted equally. Further, they note that the U.S. effective corporate tax rate "exceeded the foreign average by 3.7 percentage points, if countries are weighted by their gross domestic products (GDP)." Id.

[10] See Mintz and Chen, "U.S. Corporate Taxation: Prime for Reform," Tax Foundation Special Report No. 228, Feb. 2015.

[11] Mintz and Chen, "U.S. Corporate Taxation: Prime for Reform," Tax Foundation Special Report No. 228, Feb. 2015.

Germany, for example, has cut its rate from 52% in 2000 to 30.2% in 2014.[12] And Canada reduced its business tax rate to 15% on January 1, 2012.[13] This tax cut was the most recent in a series, first initiated in 2006, that lowered Canada's federal corporate income-tax rate to less than half of the U.S.'s federal statutory rate of 35%. This rate cut has resulted in little loss in corporate revenues (when compared with pre-recession revenue levels).[14] The United States, Chile, and Hungary are the only three OECD countries that have failed to lower their corporate tax rates since 2000. However, Chile and Hungary's corporate tax rates are already comparatively low, at 20% and 19% respectively.[15]

Foreign Direct Investment (FDI)

FDI in the United States is an important part of our economy. According to a March 2014 Organization for International Investment (OFII) report, in 2013, "inbound investment amounted to 9% of all nonresidential domestic investment… and these investments support more than 5.6 million well-paid insourced jobs."[16] While the United States is currently a leader in the dollar amount of FDI, its global share has dropped dramatically in recent years, down from 37% in 2000 to 19% in 2013.[17] The U.S.'s high corporate tax rate not only affects the ability of American worldwide companies to compete, but also is a factor that can impact decisions by foreign companies to invest in the United States.

Estimates of the responsiveness to corporate tax rates on FDI vary, but an OECD analysis[18] of the literature finds "an average semi-elasticity value of –3.72 (measuring the percentage change in FDI in response to a 1 percentage point change in the tax rate)." In other words, a one percent increase in a tax rate can result in a decrease in FDI of 3.72%. The OECD study further notes that "studies using more recent data are found to produce larger semi-elasticities, indicating that FDI is becoming more responsive to taxation over time."[19]

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[12] See OECD Tax Database, *available at* http://www.oecd.org/tax/tax-policy/tax-database.htm.
[13] See id.
[14] See id. Hodge, quoting an article in the *Globe and Mail*, that,

> Remarkably, the gradual lowering of the corporate tax rate appears to have resulted in little loss in corporate tax revenue (when compared with long-term, prerecession revenues). Corporate tax revenue did take a big hit ($10-billion) in 2008, the year of the market meltdown. But the tax cuts were barely started in 2008. By 2010-2011, federal corporate tax revenue reached $30-billion, substantially more than the average of $25-billion in the last four years of the prior Liberal government: 2002 through 2005. Further, federal corporate tax revenue equalled (sic) 1.8 per cent of Canadian gross domestic product, a much higher percentage than the revenue produced during the recessionary years in the early 1990s. In tough-times 1992, for example, corporate revenue, with higher tax rates, fell to 1 per cent of GDP.

[15] See OECD Tax Database, *available at* http://www.oecd.org/tax/tax-policy/tax-database.htm.
[16] See OFII, "Foreign Direct Investment in the United States 2013 Preliminary Data," (March 2014), *available at* http://www.ofii.org/sites/default/files/FDIUS_3_19_14.pdf.
[17] See United Nations Conference on Trade and Development, World Investment Report 2014, Annex table 03 - FDI inward stock, by region and economy, 1990-2013.
[18] See OECD, "Tax Policy Study No. 17: Tax Effects on Foreign Direct Investment: Recent Evidence and Policy Analysis," Executive Summary, *available at* http://www1.oecd.org/ctp/tax-policy/39866155.pdf.
[19] See id.

While greater competition for global investment and emerging markets play a role in global allocation of investment, the tax sensitivity articulated in the OECD report cannot be ignored. If the United States wishes to maintain, or increase, its attractiveness to foreign investment, a lower tax rate is a vital aspect of attracting that investment that can drive job and economic growth.

High Tax Rates and Impact on Labor

Not only are there detrimental competitiveness and investment issues with the U.S.'s high corporate tax rate, studies suggest that higher corporate tax rates mean lower wages. A study by Kevin Hassett and Aparna Mathur[20] examined 65 countries over 25 years and concluded that a one percent increase in corporate tax rates leads to a 0.5-0.6 percent decrease in wage rates. A study by Desai, Foley, and Hines[21] reinforces this finding, concluding that the burden of corporate taxation is borne by labor to a significant degree. More recently, a study by economists Li Liu and Rosanne Altshuler concluded that a $1 increase in corporate tax revenue decreases wages by approximately $.60.[22]

Pass-Through Entity Tax Rates

High Rates

As Congress considers lowering the corporate tax rate, it also must address the rate of those businesses that operate as pass-through entities. Under the individual code, pass-through entities face a top marginal rate of 39.6%, even higher than the anti-competitive 35% rate faced by C corporations. Pass-through businesses' combined marginal rates are close to 45%.[23]

Pass-Through Footprint

The number of businesses facing these high rates is significant. According to the Tax Foundation, between 1980 and 2011, the total number of pass-through businesses nearly tripled, from roughly 10.9 million to about 30 million. Furthermore, more business income is taxed under the individual Code from pass-through businesses than is taxed under the traditional corporate code.[24]

Additionally, of the 27.7 million businesses in the United States in 2011, more than 90% are organized as pass-through entities.[25] The Tax Foundation also reports that pass-through

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[20] See Hassett and Mathur, "Spatial Tax Competition and Domestic Wages," (December 2010), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2212975&download=yes.
[21] See Desai, Foley, and Hines, "Labor and Capital Shares of the Corporate Tax Burden: International Evidence" (2011).
[22] See Liu and Altshuler, "Measuring the Burden of the Corporate Tax Under Imperfect Competition," *available at* http://www.ntanet.org/NTJ/66/1/ntj-v66n01p215-37-measuring-burden-corporate-income.pdf.
[23] See House Budget Committee, FY2016 Budget Resolution, *available at* https://www.congress.gov/114/crpt/hrpt47/CRPT-114hrpt47.pdf.
[24] See Pomerleau, "An Overview of Pass-through Businesses in the United States," Tax Foundation, *available at* http://taxfoundation.org/sites/taxfoundation.org/files/docs/TaxFoundation_SR227.pdf.
[25] See id.

businesses employed more than 50% of the private sector work force in the United States and accounted for 37% of total private sector payroll in 2011.[26] The same report finds that 51% of pass-through business income is taxed at the top individual tax rates.[27]

Entity Choice Considerations

As Congress considers comprehensive tax reform and the appropriate marginal rates for businesses, the Chamber believes it is crucial that consideration be given to why taxpayers choose to operate as pass-through entities.

From a tax perspective, operating as a pass-through entity avoids the double taxation that C corporations face – they are taxed at the corporate level on their profits and many of their shareholders pay tax again when those same earnings are distributed as dividends or when shareholders sell their stock and remit capital gains taxes; conversely, pass-through entities pay no entity level tax and, instead, profits are reported on the individual returns of owners.

From a non-tax perspective, taxpayers choose to operate as pass-through entities for a variety of reasons. Pass-through entities provide flexibility that the C corporation structure does not allow. For example, partnerships can have one partner put in cash, another put in property, and another expertise. They can then set up their own agreement for how the profits will be divvied up; a C corporation structure does not have that flexibility.

Simplicity is another non-tax reason taxpayers choose a pass-through entity form. To form a partnership all that is needed is two people with a profit motive and an agreement. Conversely, with a C corporation a taxpayer has to file articles of incorporation, elect a board of directors, have regular shareholder and director meetings, etc. Further, pass-through entities make it easier to plan for business succession and ease estate tax planning concerns.

Progressivity Issues

As Congress considers comprehensive tax reform, the Chamber notes that the United States has one of the most progressive tax systems among OECD countries. A 2014 Congressional Budget Office (CBO) report[28] shows that in 2011 the top one percent of households paid almost 24% of ALL federal taxes and the top 20% ("highest quintile") paid almost 69% of all taxes. Conversely, the middle and lowest quintile paid less than 10% and less than 1%, respectively.

The imbalance in the tax distribution becomes more pronounced when only income taxes are considered. According to IRS Statistics of Income (SOI) data for 2011,[29] the top 1% of

[26] See id.
[27] See id.
[28] See CBO, "The Distribution of Household Income and Federal Taxes, 2011," November 2014, *available at* http://cbo.gov/publication/49440.
[29] See IRS SOI, "Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates; Classified by: Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Table 1, Tax Years: 2001–2011."

taxpayers, while earning 19% of income, paid 35% of the total income taxes collected by the federal government. Further, the top 5% of taxpayers, while earning 34% of income, paid about 57% of income taxes in 2010. Conversely, the bottom half of taxpayers earned 12% of all income, but paid only 2.9% of all income taxes. Even this statistic understates the true progressivity of the federal income tax system, since it fails to reflect that many taxpayers in the bottom quintile actually face negative income tax liabilities.

In sum, given the significant and growing number of businesses that operate in pass-through form, the reasons for certain entity elections, and the existing progressivity in our system, the rate of tax these businesses are subject to also must be addressed. Accordingly, as Congress considers lowering the tax rate paid by those taxpayers who operate in C corporation structures, it must also address the rates paid by those pass-through entities that remit tax at individual marginal rates.

INTERNATIONAL

It is to the mutual advantage of all countries that the exchange of goods, capital, and services in international trade not be unduly hindered by taxation. Even if other conditions are favorable, excessive taxation by a single country or multiple taxation by two or more countries of the same property or income will destroy the incentives to incur the risks involved in international business.

Pro-growth international tax policies are instrumental to both the ability of American worldwide companies to compete globally and grow not only their global footprint, but also U.S. jobs and operations. Additionally, international tax policies must encourage, not hinder, foreign investment in the United States.

Internationally Competitive Tax System

The Chamber believes that the U.S.'s current worldwide tax system, developed more than 50 years ago in an age where global competition was less intense,[30] should be replaced with an internationally competitive (territorial or participation-exemption) system for the taxation of foreign source income to help American worldwide companies compete globally and to promote economic growth domestically. An international tax system in sync with global norms will help allow American worldwide companies to build their global franchises while continuing to strengthen American operations.

A recent study concluded that the United States has the 32nd most competitive tax system out of the 34 OECD member countries. The largest driving factors behind that ranking are that the U.S. has the highest corporate tax rate in the developed world and that it is one of the six remaining countries in the OECD with a worldwide system of taxation.[31] Our high tax rate and

[30] See Dave Camp, Former Chairman, House Ways and Means Committee, Letter to Paul Ryan, Former Chairman, House Budget Committee, *available at* http://images.politico.com/global/2013/03/10/fy14_budget_letter_from_wm.html (dated 3/6/13).

[31] See Pomerleau and Lundeen, "International Tax Competitiveness Index," Tax Foundation, *available at* http://taxfoundation.org/sites/taxfoundation.org/files/docs/TaxFoundation_ITCI_2014.pdf. Six OECD countries, the

possibility of double taxation, while mitigated by provisions such as deferral and the foreign tax credit, harms the ability of American worldwide companies to compete globally.

The last 40 years have seen a shift from worldwide tax systems to territorial tax systems among the advanced economies in the OECD,[32] with the number of OECD countries with territorial systems doubling since 2000.[33] As noted, only six remaining OECD countries employ worldwide systems of taxation, and those countries have utilized this worldwide system since World War II. Of the two OECD member countries (Finland and New Zealand) who at one time switched from territorial to worldwide systems of taxation, both have reinstated territorial systems.[34]

In recent years, these countries seeking to see their domestic companies succeed in global markets and attract foreign investment have recognized the myriad benefits of territorial systems of taxation. From increased global competitiveness to decreased lockout impacts,[35] countries have recognized these benefits and reformed their tax codes accordingly. Data supports these findings, with competition growing from multinational companies headquartered in territorial countries[36] and the growing shares of outbound FDI from OECD countries to countries with territorial tax systems.[37]

United States, Chile, Ireland, Israel, Korea, and Mexico, do not have some type of foreign dividend exemption system. See Pricewaterhouse Coopers, "Evolution of Territorial Tax Systems in the OECD," *available at* http://www.techceocouncil.org/clientuploads/reports/Report%20on%20Territorial%20Tax%20Systems_20130402b.pdf.

[32] See Pricewaterhouse Coopers, "Evolution of Territorial Tax Systems in the OECD," *available at* http://www.techceocouncil.org/clientuploads/reports/Report%20on%20Territorial%20Tax%20Systems_20130402b.pdf. The report notes that:

> As of 2012, 28 of the 34 current OECD member countries (82 percent) have adopted territorial tax systems that exempt 95-100 percent of qualifying dividends received from foreign affiliates resident in some or all countries. Twenty countries exempt 100 percent and eight exempt between 95 and 100 percent of qualifying foreign dividends.

See id.

[33] See Pricewaterhouse Coopers, "Evolution of Territorial Tax Systems in the OECD," *available at* http://www.techceocouncil.org/clientuploads/reports/Report%20on%20Territorial%20Tax%20Systems_20130402b.pdf.

[34] See id.

[35] For a complete discussion of the benefits of territorial tax systems, see Hodge, "Ten Reasons the U.S. Should Move to a Territorial System of Taxing Foreign Earnings," Tax Foundation, *available at* http://taxfoundation.org/article/ten-reasons-us-should-move-territorial-system-taxing-foreign-earnings.

[36] See Pricewaterhouse Coopers, "Evolution of Territorial Tax Systems in the OECD," *available at* http://www.techceocouncil.org/clientuploads/reports/Report%20on%20Territorial%20Tax%20Systems_20130402b.pdf. Per PWC:

> The share of sales of OECD-based companies on the Forbes 500 list headquartered in countries with territorial tax systems has increased from 11 percent in 1985 to 59 percent in 2012. By 2012, 91 percent of the non-US OECD headquartered companies on the Forbes 500 list were headquartered in countries with a territorial tax system. Similarly, 93 percent of the sales of non-US OECD headquartered companies on the Forbes 500 list were from companies headquartered in countries with a territorial tax system.

See id.

[37] See Pricewaterhouse Coopers, "Evolution of Territorial Tax Systems in the OECD," *available at* http://www.techceocouncil.org/clientuploads/reports/Report%20on%20Territorial%20Tax%20Systems_20130402b.pdf. Per PWC:

> The growing significance of multinational companies based in territorial jurisdictions also can be seen from the share of outbound foreign direct investment (FDI) from OECD countries that comes from countries

For example, consider Japan. Prior to its adoption of a quasi-territorial tax system, it faced issues similar to those of the United States: the Japanese government was concerned about earnings trapped overseas and the inability of Japanese firms to compete globally.[38] Since its international tax reform changes, Japan has seen greater repatriated earnings and its companies holding more globally competitive footing, evidenced through increased acquisitions of foreign companies.[39] Likewise, countries like Germany[40] and the United Kingdom[41] also have adopted territorial systems to confront competitiveness challenges and compliance concerns.[42]

Anti-Base Erosion Proposals

Both in prior tax reform proposals[43] and in current discussions by the OECD,[44] consideration has been given to the need for and options on anti-base erosion proposals. The Chamber believes it is important to pay close attention to how these proposals would reduce the competitiveness of American worldwide companies and, further, whether such proposals would punish the success of these companies. If deemed necessary, proper time and attention should be spent developing alternatives and narrowing the impact of anti-base erosion proposals so as only to affect the activity intended to be discouraged. Further, careful consideration should be given so that anti-base erosion proposals do not unfairly penalize or impact any one industry or sector.

The Impact of Territorial/Participation-Exemption Tax Systems on the Individual Side of the Tax Code

S Corporation Issues

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with territorial tax systems. The total stock of outbound FDI from OECD countries with territorial tax systems has increased from 22.4 percent in 1980 to 69.9 percent in 2011.

See id.

[38] See "Japan Disproves Fears of Territorial Taxation," Tax Foundation, *available at* http://taxfoundation.org/article/japan-disproves-fears-territorial-taxation-0. See also Ernst & Young, "International Tax Alert: Japan's move to territorial taxation contrasts with US international tax policy," *available at* http://tax.uk.ey.com/NR/rdonlyres/edb7ggulansyuajnmmscid3lcobk6ap35suar4geem22gu5bvacg3r52522yugcoujqtmppkniq4qf4zw5sz4zuuayd/ITA077.pdf; Testimony of Gary M. Thomas, before House Ways & Mean, May 24, 2011, *available at* http://waysandmeans.house.gov/uploadedfiles/thomastestimony.pdf.

[39] See "Japan Disproves Fears of Territorial Taxation," Tax Foundation, *available at* http://taxfoundation.org/article/japan-disproves-fears-territorial-taxation-0. See also "Lessons in Reform—Discussion of Recent Tax Reform in Other Countries," TCPI 11th Annual Tax Policy and Practice Symposium (Statement of Jonathan Stuart-Smith).

[40] See Morrison, "Germany Promotes Competition with Shift to Territorial Tax System," Tax Foundation *available at* http://taxfoundation.org/article/germany-promotes-competition-shift-territorial-tax-system.

[41] See Hodge, "U.K. Strives to have "Most Competitive Tax System Among G20," Tax Foundation, *available at* http://www.taxfoundation.org/blog/show/27157.html.

[42] See Wilson, "Open for business," *The Sun* (5/20/10), *available at* http://www.thesun.co.uk/sol/homepage/news/money/2980284/George-Osborne-Corporation-tax-to-be-lowest-in-G20.html. See also "Lessons in Reform—Discussion of Recent Tax Reform in Other Countries," TCPI 11th Annual Tax Policy and Practice Symposium (Statement of Anneli Collins).

[43] See Chairman Camp International Tax Reform Proposal, the "Tax Reform Act of 2011," Title III, Subtitle 3, Part 2, *available at* http://waysandmeans.house.gov/uploadedfiles/discussion_draft.pdf.

[44] OECD Newsroom, "OECD urges stronger international co-operation on corporate tax," *available at* http://www.oecd.org/newsroom/oecd-urges-stronger-international-co-operation-on-corporate-tax.htm.

The Chamber believes that S corporations and their shareholders should be treated fairly under any international tax reform proposals. Prior proposals[45] failed to extend the benefits of an internationally competitive territorial tax system to S corporations yet subjected them to stringent transition and anti-abuse rules. To the extent that future proposals continue this treatment and deny S corporations the benefit of a dividends received deduction (DRD) under a territorial or participation exemption regime, the Chamber strongly believes that such S corporations' shareholders should not be subjected to "deemed repatriation" transition rules, to anti-base erosion provisions, or to provisions limiting the use of foreign tax credits (including through detrimental changes to entity classification rules).

Individual Taxpayers

As with corporations, the United States has long taxed the foreign-earned income of its citizens residing abroad, resulting in double taxation and disincentivizing the hiring of U.S. citizens. Studies have shown that U.S. expatriates employed as managers in foreign affiliates of American worldwide companies are a powerful driver of U.S. exports, so this practice significantly undermines the global competitiveness of U.S. exporters. No other country taxes its citizens working abroad, and any transition to a territorial tax system should take this into consideration and end this damaging practice.

Additional Comments and Concerns

While the Chamber urges generally a shift to a territorial or participation exemption system of taxation, we also believe that the details of such system are of the utmost significance. Proper consideration must be given to issues such as the specific exemption system applicable to foreign dividends, the treatment of other foreign income, exceptions to the exemption regime, the use of foreign tax credits for income that continues to be subject to foreign tax levies, interest expense allocation and, as noted above, anti-base erosion provisions. Further, deviation from areas of global norms and consensus should be avoided to the extent the result of such deviation is to negatively impact the overall investment climate of the United States. All of these issues are unquestionably complex but must be addressed if the United States wishes to keep pace in the global economy.[46]

The Chamber notes that should Congress undertake comprehensive tax reform but choose to retain a worldwide system of taxation, provisions that minimize double taxation, such as deferral and foreign tax credits, must be maintained. As such, proposals, such as the minimum tax regime contained in the President's FY2016 Budget Proposal, move our international tax

[45] See, e.g., H.R. 1, Tax Reform Act of 2014. See also PWC Tax Insights,
2014 Camp discussion draft changes previously proposed international tax regime," (March 11, 2014), *available at* http://www.pwc.com/en_US/us/tax-services/publications/insights/assets/pwc-camp-draft-changes-previously-proposed-international-tax-regime.pdf.

[46] See Chamber Written Testimony, Subcommittee on Select Revenue Measures, House Committee on Ways & Means, Hearing on Ways and Means International Tax Reform Discussion Draft, *available at* http://www.uschamber.com/sites/default/files/111117commentstoWMsonCampint'lPlan.pdf, for additional detail on international tax reform issues.

system in precisely the wrong direction, essentially repealing deferral and limiting the use of foreign tax credits.[47]

Further, piecemeal legislative changes that damage competitiveness also must be avoided. For example, proposals in the same vein as the regulatory action taken by the Treasury on inversions late last year[48] actually make our uncompetitive tax system even worse, limiting the ability of American companies to restructure to be globally competitive.[49] Similarly, proposals targeted towards foreign companies doing business in the United States, such as changes to earnings stripping rules,[50] should be avoided as they discourage the very FDI the United States should seek. In sum, piecemeal, anti-competitive measures such as these should be avoided.

COST RECOVERY

In General

The Chamber believes that another key aspect of tax reform is cost recovery provisions. Tax reform legislation should eliminate the bias in the current U.S. tax system against capital investment. Capital investment should be expensed or recovered using a capital cost recovery system that provides the present value equivalent to expensing with due regard to the impact the system may have on cash flow.

As the Committee and Congress work towards comprehensive tax reform, the Chamber believes that provisions must be included in the code which allow businesses to more quickly recover their capital investments. Failure to include such provisions, even if coupled with a lower rate, is likely to harm economic growth and job creation.

A recent report by the Tax Foundation compared the economic growth impact of three tax reform plans that would lengthen capital cost recovery periods to help pay for lower income tax rates, and full expensing. The report found that each of the three depreciation proposals

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[47] See Pomerleau, "Worldwide Taxation is Very Rare," Tax Foundation, *available at* http://taxfoundation.org/blog/worldwide-taxation-very-rare.

[48] See Notice 2014-52, Rules Regarding Inversions and Related Transactions, IRS (Sept. 22, 2014), http://www.irs.gov/uac/Newsroom/Notice-2014-52-Rules-Regarding-Inversions-and-Related-Transactions. Notice 2014-52 was published as I.R.B. 2014-42 on October 14, 2014. See I.R.B. 2014-42, available at http://www.irs.gov/pub/irs-irbs/irb14-42.pdf. Notice 2014-52 addresses pre-inversion strategies related to ownership requirements, including cash-box techniques, skinny-down techniques, and spin-versions, and post-inversion restructuring techniques related to deferred earnings, including the use of hopscotch loans, decontrolling strategies, and repatriation.

[49] The result of limitations on global restructuring have resulted in an increase of foreign acquisitions of U.S. companies. A recent Thomson Reuters reports found that since the publication of Notice 2014-52, "there have been $156bn of inbound cross-border US deals announced, compared with $106bn in the same period last year and $81bn a year earlier." See Crow, Fontanella-Khan, & Murphy, "Tax inversion curb turns tables on US," *Financial Times*, *available at* http://www.ft.com/intl/cms/s/0/e1ba6eb0-ca5c-11e4-b8ff-00144feab7de.html?siteedition=uk#axzz3WYQiHej5. Additionally, Thomson Reuters data reveals that in 2015, foreign buyers have announced $61 billion worth of US acquisitions, an uptick of 31% on last year and "the strongest start to a year for inbound cross-border deals since 2007". See id.

[50] See, e.g., S. 2786, Corporate Inverters Earnings Stripping Reform Act of 2014.

would lead to slower economic growth and would lose revenue in the long run.[51] Full expensing, on the other hand, would "increase GDP by 5.13%, lift the capital stock by 15.4%, raise wages by 4.36%, create 885,300 jobs, and boost federal revenue by $121.3 billion (compared to an estimated decrease of $60.5 billion on a static basis)."[52]

On a static basis, expensing would not be revenue-neutral. However, as noted in a 2014 report by the Mercatus Center, that finding is incorrect, stating:

> because expensing makes investment relatively more attractive, we can reasonably assume that there will be some growth effects from the tax change…Although the tax revenue picture is not easily projected, the static projections of lost revenue are almost certainly incorrect. By lowering the effective tax rate on capital investments, expensing will remove the current tax disadvantage on investment. In relative terms, under a system with full expensing, investors will now find investment (future consumption) more attractive than current consumption. Increased investment has the potential to raise the economic growth rate in both the long and the short run.[53]

The United Kingdom provides a real world example of the downside of lengthening capital cost recovery periods in exchange for lowering rates. It has gradually lowered its corporate tax rate over a period of years, from 28% in 2010, for example, to 20% in 2015. The rate reduction is being partly paid for by lengthening its depreciation schedules. Despite its low tax rate, the United Kingdom still has a comparatively high effective marginal tax rate relative to OECD countries.[54] This ranking is mostly due to the lack of generosity of allowances for capital expenditures: among the OECD countries, only Chile has less generous allowances.[55] Further, as noted by the Tax Foundation, "levels of investment declined in the country and were the lowest in the OECD in 2012. This decline also likely disproportionately affected the United Kingdom's manufacturing industry and its manufacturing-centered northern regions."[56]

Research and Development Costs

The Chamber has long advocated that research and development (R&D) expenses should be deductible in the year incurred and a larger credit for increases in research expenditures should be allowed. Further, as other countries expand R&D benefits, the Chamber believes consideration should be given to how the tax code impacts decisions about whether to conduct

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[51] See Schuyler, "Comparing the Growth and Revenue Effects of Four Proposed Depreciation Systems: Baucus, Camp, Wyden, and Full Expensing", June 2014, *available at* http://taxfoundation.org/sites/default/files/docs/FF433.pdf.
[52] Ibid.
[53] Fichtner and Michel, "Options for Corporate Capital Cost Recovery: Tax Rates and Depreciation," Mercatus Center at George Mason University, January 2015.
[54] See See Bilicka and Devereaux, "CBT Corporate Tax Ranking 2012," Oxford University Centre for Business Taxation, *available at* http://www.sbs.ox.ac.uk/centres/tax/Documents/reports/CBT%20Tax%20Ranking%202012.pdf.
[55] See id.
[56] Pomerleau, "Trading Longer Asset Lives for Lower Corporate Tax Rates in the United Kingdom," *available at* http://taxfoundation.org/sites/taxfoundation.org/files/docs/FF413.pdf.

research and development in the United States and, also, whether the ensuing intellectual property that is created is located here.

Congress first enacted the R&D credit in 1981, finding that "a substantial tax credit for incremental research and experimental expenditures [would] overcome the resistance of many businesses to bear the significant costs of staffing, supplies, and certain computer charges which must be incurred in initiating or expanding research programs."[57] Congress has extended the research credit sixteen times since then, most recently in 2014.[58] Legislative history surrounding extension concludes that "[a] research tax credit can help promote investment in research, so that research activities undertaken approach the optimal level for the overall economy."[59]

While the United States once was a leader in R&D incentives, it has slipped significantly in recent years. A study by the Information Technology and Innovation Foundation found that, in 2012, the United States ranked just 27th out of 42 countries studied in terms of R&D incentive generosity, a downward movement from its 23rd ranking of just six years ago.[60] A March 2014 Deloitte report notes that a significant number of countries now "offer the critical operational prerequisites for successfully conducting effective research and development (R&D)," and, further, are even "promoting optimization of R&D operations including relocation as part of their innovation-led economic development strategies."[61]

The Chamber believes that innovation is a crucial long-term driver of growth and jobs. Any reform to the tax code should contain incentives for companies to conduct research and development activities in the United States and locate the resulting intellectual property within U.S. borders.

INVESTMENT

The Chamber has long suggested that investment taxes should be minimized.

Capital Gains

There are detrimental impacts to high capital gains taxes. Currently, individual long term capital gains are taxed at a top rate of 20%.[62] Since the beginning of 2013, capital gains income also has been subjected to the Medicare HI tax, adding another 3.8% tax to the capital gains tax rate. A 2015 study by the Tax Foundation concluded that the average combined long term capital

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[57] H.R. Rep. No. 97-201, pt. 1, at 106 (1981).
[58] Public Law No. 112-240.
[59] Staff of J. Comm. on Taxation, 104th Cong., General Explanation of Tax Legislation Enacted in the 104th Congress 105 (Comm. Print 1996).
[60] The Information Technology and Innovation Foundation, "We're 27th! The United States Lags Far Behind in R&D Tax Incentive Generosity" (July 2012), *available at* http://www2.itif.org/2012-were-27-b-index-tax.pdf.
[61] Deloitte, "2014 Global Survey of R&D Tax Incentives" (March 2014).
[62] The American Taxpayer Relief Act of 2012 (ATRA) made permanent for taxpayers with taxable income above $400,000 (single filers), $425,000 (heads of households) or $450,000 (married couples filing jointly) the taxation of long term capital gains at the 20% rate. Taxpayers below those thresholds are subject to tax at a 15% rate. Note that corporate capital gains rates were unchanged by this legislation and have always been subject to a higher tax rate of 35%.

gains top tax rate in the United States is 28.6%, making it the 6th highest in the OECD and more than 5 percentage points higher than the OECD's weighted average of 23%.[63]

Higher capital gains rates hurt investment. According to the CBO[64] and studies,[65] increasing capital gains rates could create a "lock-in effect" where investors avoid higher taxes by not selling assets. If investors are unwilling to sell taxable assets, the lock-in effect can reduce economic growth by preventing the reallocation of capital to more efficient investments. Further, as the CBO notes, "reductions in capital taxation increase the return on investment and therefore the formation of capital. The resulting increase in the capital stock yields greater output and higher incomes throughout much of the economy."

Further, lower capital gains taxes have significant economic effects on economic growth, jobs and unemployment, inflation, savings, the financial markets, and debt. A study by Allen Sinai[66] indicates that the net effect of lower capital gains taxation is a significant plus for U.S. macroeconomic performance. The study found that hiking capital gains tax rates would cause significant damage to the economy, reducing growth in real GDP, raising the unemployment rate, and significantly reducing productivity. The study concluded that these losses outweigh any gains in tax receipts from an increased capital gains rate. Further, the study concluded that higher capital gains taxes would not substantially reduce the deficit. Likewise, another economist concluded that, "[h]igh taxes on capital income increase the cost of capital, which reduces the incentive to invest. Lower investment means a smaller capital stock, lower productivity, and lower wages for workers."[67]

In sum, higher capital gains taxes pose serious risks to the economy. Accordingly, the Chamber strongly urges that any comprehensive tax reform consider the adverse impact higher investment taxes have on investment levels, economic growth, unemployment rates and productivity.

Dividend Taxes

Currently, dividends are taxed at a top rate of 20%.[68] As with capital gains taxes, dividends also are subject to the Medicare HI tax, adding another 3.8% tax to the dividend tax

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[63] See Pomerleau, "The High Burden of State and Federal Capital Gains Tax Rates in the United States," Tax Foundation, *available at* http://taxfoundation.org/sites/taxfoundation.org/files/docs/TaxFoundation_FF460.pdf.

[64] See CBO, Capital Gains Taxes and Federal Revenues (October 2002), available at http://www.cbo.gov/doc.cfm?index=3856&type=0.

[65] See Heritage Foundation, Web Memo 1891, Economic Effects of Increasing the Tax Rates on Capital Gains and Dividends, available at http://www.heritage.org/research/reports/2008/04/economic-effects-of-increasing-the-tax-rates-on-capital-gains-and-dividends#_ftn2.

[66] See Sinai, Capital Gains Taxes and the Economy, available at http://www.accf.org/publications/139/capital-gains-taxes-and-the-economy.

[67] See Meyer, "America Strives to Exceed French Capital Gains Tax Rates," E 21, *available at* http://www.economics21.org/commentary/us-french-capital-gains-tax-rates-tax-foundation-03-25-2015 (quoting Pomerleau, Economist, Tax Foundation).

[68] As with capital gains, the American Taxpayer Relief Act of 2012 (ATRA) made permanent for taxpayers with taxable income above $400,000 (single filers), $425,000 (heads of households) or $450,000 (married couples filing jointly) the taxation of qualified dividends at the 20% rate. Taxpayers below those thresholds are subject to tax at a 15% rate.

rate. A 2014 study by the Tax Foundation concluded that the average combined qualified dividends top tax rate in the United States is 28.6%, making it the 9th highest in the OECD and five percentage points higher than the average of the 34 member nations.[69]

As with capital gains taxes, there are detrimental impacts to increased dividend taxes. According to the 2014 Tax Foundation study,[70] this "double tax on corporate profits biases corporate behavior, leads to lower levels of saving and investment, lower wages, and slower economic growth." Further, a September 2010 J.P. Morgan study[71] concludes that higher dividend taxes create a disadvantage for dividend-paying companies and may cause companies to alter their current dividend strategies. This could lower the amount of dollars by which companies ordinarily increase their dividends and could reduce the stock value for all shareholders. If this happens, all taxpayers who receive dividend income would be affected by discouraging investment in dividend-paying companies and potentially lowering dividend payouts.

The same J.P. Morgan study[72] concludes that increased dividend rates could increase economic instability. The study finds that an increase in the dividend tax rate would lead to a higher pre-tax cost of equity. As a result, equity valuation might be under pressure, corporations may reduce their investing due to higher hurdle rates, and debt might become more attractive relative to equity. Further, the study concludes that increasing tax rates on dividends can make investing in stocks less attractive to investors and can reduce a stock's perceived value. This decrease in perceived value coupled with the fact that interest on debt is a deductible corporate expense could cause companies to opt to finance new investments through debt offerings rather than stock issuances. Thus, as a result of this increased incentive to use debt financing, businesses may significantly increase debt levels as they attempt to optimize capital allocation. These increased debt levels could cause greater instability in the economy and increase risk of failure.

As with increased capital gains rates, increasing investment taxes in the form of higher dividend taxes comes with many adverse consequences. Thus, the Chamber strongly urges that investment taxes be kept as low as possible to avoid damaging economic ramifications.

CERTAINTY

The Chamber believes that any reform considered by Congress should address the uncertainty that currently plagues the business community under the current Code, largely due to the temporary nature of so many business tax provisions.

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[69] See Pomerleau, "The United States' High Tax Burden on Personal Dividend Income," *available at* http://taxfoundation.org/sites/taxfoundation.org/files/docs/FF416.pdf.
[70] See id. See also Tax Foundation, The Economic Effects of the Lower Tax Rate on Dividends, available at http://www.taxfoundation.org/publications/show/26384.html.
[71] See J.P. Morgan, Unintended Consequences: How higher investor taxes impact corporate finance decisions, available at http://defendmydividend.com/docs/unintended-consequences-vfinal.pdf.
[72] See id.

As noted in the National Taxpayer Advocate's 2014 Annual Report to Congress (the "NTA Report"), [73] there have been approximately 4,107 changes to the tax code since 2004, an average of more than one a day. The number of code sections, subsections, and cross-references increased by 46% (from 45,789 to 66,812) between 1991 and 2012.[74]

As members of Congress are well aware, the annual exercise by Congress to temporarily extend vital business provisions, such as the R&D tax credit, the active financing exception, the controlled foreign corporation (CFC) look-thru rule, and the deduction for state and local sales tax, is an arduous and time-consuming task. The uncertainty surrounding these provisions hinders businesses' ability to most efficiently make decisions, such as those related to hiring employees and making capital investments.

The Chamber therefore urges that changes to the Code as part of comprehensive tax reform be permanent to ensure certainty for businesses striving to expand, create jobs, and remain competitive in the United States and abroad. However, the Chamber also adheres to its longstanding policy that the tax policy process be conducted in an open manner which allows for public comment. Thus, should changes be necessary in the future as a result of findings made during the tax policy process, the Chamber urges Congress to ensure that the tax policy process allows for the implementation of those changes.

COMPLIANCE

The Chamber believes that Congress should enact simple, predictable, and easy to understand tax rules to improve compliance and reduce the cost of tax administration.

According to the NTA Report, "individual taxpayers find return preparation so overwhelming that about 94% of them used a preparer or tax software in processing year 2013… For 2007, IRS researchers estimated that the monetary compliance burden of the median individual taxpayer (as measured by income) was $258."[75]

A recent study estimates annual tax compliance costs for taxpayers to be $378 billion - $216 billion for individuals and $162 billion for businesses.[76] To put this estimate in perspective, $378 billion "exceeds the profits of the United States' 25 largest corporations."[77]

The complexity of the code also increases the government's cost of tax administration. By way of example, the NTA Report provides that "for FY 2015 the Treasury Department

[73] See National Taxpayer Advocate, 2014 ANNUAL REPORT TO CONGRESS, *available at* http://www.taxpayeradvocate.irs.gov/Media/Default/Documents/2014-Annual-Report/Volume-One.pdf.
[74] See id.
[75] See id.
[76] See Laffer, Winegarden, and Childs, "The Economic Burden Caused by Tax Code Complexity" (The Laffer Center, April 2011).
[77] See Fichtner and Feldman, "The Hidden Costs of Tax Compliance," The Mercatus Center at George Mason University, May 20, 2013.

requested about $452 million for the IRS to administer the recently-enacted Affordable Care Act (ACA) for one year."[78]

The burdens brought by the complexity of our code also harm the global competitiveness of American worldwide companies. Companies must engage in complex tax planning and deal with outdated and inefficient tax provisions simply to compete in the global economy. These compliance burdens cause valuable resources to be diverted from productive investments to addressing compliance burdens, an inefficient allocation of resources.[79]

Thus, as Congress considers comprehensive tax reform, the Chamber believes such reform should provide simple, predictable, and easy to understand tax rules to improve compliance and reduce the cost of tax administration. By enacting less complex tax rules, Congress could significantly reduce compliance costs and reduce the tax gap without levying new onerous and punitive taxes.

EFFICIENCY

The Chamber is vitally interested in business of all types and sizes, because of the special role each segment of the business system plays in our economy. Thus, the Chamber will not support any tax reform proposal where a specific sector, industry, or income group disproportionately bears the burden of paying for tax reform. Rather, the Chamber believes that comprehensive tax reform should strive to create a code that allows the marketplace, and not the tax system, to allocate capital and resources appropriately.

TRANSITION RULES

The Chamber believes that a critical component of tax reform debate is how to transition to the new tax regime. Thus, tax reform should include transition rules to provide adequate time for implementation of any new system of taxation and to help minimize economic hardships businesses may encounter in moving to a new tax system.

Generally, these transition rules[80] must give consideration to issues including, but not limited to, treatment of existing deferred tax assets and liabilities, impact on asset valuation, treatment of existing debt, and impact on methods of accounting for existing inventory. In the international arena, consideration must be given to issues such as the treatment of untaxed earnings, the treatment of unused foreign tax credits, and the impact of potential border tax adjustments. In the context of R&D and intangible assets, appropriate time must be given to make business decisions and move physical property, plant, and equipment associated with the undertaking of R&D and development of intangible assets.

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[78] National Taxpayer Advocate, 2014 ANNUAL REPORT TO CONGRESS, *available at* http://www.taxpayeradvocate.irs.gov/Media/Default/Documents/2014-Annual-Report/Volume-One.pdf

[79] See Dave Camp, Former Chairman, House Ways and Means Committee, Letter to Paul Ryan, Former Chairman, House Budget Committee, *available at* http://images.politico.com/global/2013/03/10/fy14_budget_letter_from_wm.html (dated 3/6/13).

[80] For a discussion of transition rule issues in tax reform, see Foster, Tax Foundation, "Principles and Practice of Tax Reform Transition," Background Paper No. 23, *available at* http://taxfoundation.org/sites/taxfoundation.org/files/docs/650b130d58b4ed525549effef358a0fc.pdf.

A NOTE ON RETIREMENT ISSUES

The Chamber believes that maintaining current tax incentives for retirement saving is critical. Eliminating or diminishing the current tax treatment of employer-provided retirement plans would jeopardize the retirement security of tens of millions of American workers, impact the role of retirement assets in the capital markets, and create challenges in maintaining the quality of life for future generations of retirees. While we work to enhance the current private retirement system and reduce the deficit, we must not eliminate one of the central foundations – the tax treatment of retirement savings – upon which today's successful system is built. Doing so would imperil the existence of employer-sponsored plans and the future retirement security of working Americans.[81]

CONCLUSION

The Chamber appreciates the opportunity to comment on comprehensive tax reform. We believe that considerations of scoring issues, tax rates, international issues, compliance burdens, the impact of uncertainty, and transition rules are essential components in the conversation on comprehensive tax reform. We look forward to working with Congress, the Committee, and the working group members as this process continues to make improvements to the code to create a tax environment that is increasingly pro-business and pro-growth.

[81] Additional and more detailed comments on retirement issues in tax reform are being submitted under separate cover.