



Facts About S. 396 AND S. 681

Senators Byron Dorgan (D-ND) and Carl Levin (D-MI) have introduced two bills—S. 396 and S. 681 respectively—that discriminate against low-tax jurisdictions. Senator Dorgan’s bill, S. 396, prevents American companies from “deferring” the imposition of a second layer tax on their foreign-source income if they operate in selected low-tax nations. Senator Levin’s legislation, S. 681, imposes taxes, regulations, and penalties on American taxpayers (other than publicly-traded companies) operating in targeted low-tax jurisdictions. Rep Lloyd Doggett (D-TX) introduced the companion (H.R. 2136) to Senator Levin’s bill in the House.

FACT: These ill-conceived proposals will put American taxpayers – both individual and business – at a competitive disadvantage by making it difficult to utilize low-tax jurisdictions when competing with taxpayers from other nations.

FACT: Only U.S. taxpayers seeking to operate in low-tax jurisdictions will be penalized by these proposals. Foreign taxpayers will continue to benefit from low taxes in the blacklisted jurisdictions and consequently gain greater market share at America’s expense.

FACT: A shrinking market share for American companies will cause a drop in jobs and exports.

FACT: Both bills are intended to punish low-tax nations and thwart tax competition. Good tax policy should be rewarded, not punished.

FACT: S. 396 singles out 40 jurisdictions for discriminatory treatment. 75% of the jurisdictions blacklisted in S. 396 are in the developing world.

FACT: Both bills violate America’s trade obligations under the WTO by imposing protectionist barriers against selected jurisdictions.

FACT: The protectionist bills will invite other nations to retaliate against the United States, particularly since America’s own “tax haven” policies have attracted trillions of dollars in foreign investments.

FACT: Both bills will further complicate the IRS Code.

For More Information:

March 20, 2007, CF&P Foundation Press Statement, “Coalition for Tax Competition Urges Treasury to Reject Senate Proposals that Penalize Americans Who Invest in Nations with Competitive Tax Regimes”

<http://www.freedomandprosperity.org/press/p03-20-07/p03-20-07.shtml>