



AMERICANS FOR TAX REFORM

LEGISLATIVE ALERT

1920 L STREET, N.W. - SUITE 200 - WASHINGTON, D.C. 20036 - 202-785-0266 - [HTTP://WWW.ATR.ORG](http://www.ATR.org)

Support Reinvestment into the American Economy by American Businesses

On February 13, 2003 Representative Phil English introduced H.R. 767, the Homeland Investment Act of 2003. The legislation encourages more investment in U.S. jobs and stimulates the economy. **Americans for Tax Reform (ATR) strongly supports passage of H.R. 767.**

Currently, U.S. firms operating overseas pay a 35 percent tax minus any taxes they've paid abroad when they bring foreign earned income back to the U.S. Because of the abusive code U.S. companies are left with only 65 percent of foreign earnings after the U.S. tax when foreign earnings are brought back to the United States. As a result, these funds are often left offshore despite better uses at home. Many other countries exclude foreign dividends from domestic taxation, which encourages investment of surplus foreign earnings.

The Homeland Investment Act would reduce for one year the tax rate on foreign earnings gained by American companies to 5.25 percent. This would lead to an additional \$135 billion of foreign earnings in the one-year period following enactment, according to the Joint Committee on Taxation.

The additional earnings will provide an immediate benefit by increasing the dollars available for current business needs at home. These funds can be used to increase domestic investment in plant, equipment, and R&D, reduce domestic debt loads, strengthening corporate balance sheets, and lowering corporate bond rates, increase dividends to shareholders, which could productively be redeployed, and raise equity market valuations by increasing funds available for share repurchases

Along with President Bush's economic growth plan, this legislation will help boost the economy and create job opportunities. Tax treatment of U.S. companies who have offshore operations leaves them at a competitive disadvantage if they invest in American businesses. This allows foreign companies with a much smaller tax burden to invest in America at a lesser cost than our own businesses. The tax code must stop punishing investment in the American economy. The Homeland Investment Act of 2003 enacts this much needed reform.