



November 12, 2020

The Honorable Chuck Grassley  
Chairman  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Richard Neal  
Chairman  
House Ways and Means Committee  
1102 Longworth House Office Building  
Washington, DC 20515

The Honorable Ron Wyden  
Ranking Member  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Kevin Brady  
Ranking Member  
House Ways and Means Committee  
1139 Longworth House Office Building  
Washington, DC 20515

Dear Chairman Grassley, Chairman Neal, Ranking Member Wyden, and Ranking Member Brady:

**I urge you to extend or make permanent the controlled foreign corporation (CFC) look-through rule under IRC section 954 (c)(6).** If lawmakers fail to act, the CFC look-through rule will expire December 31, 2020, resulting in tax increases on American businesses.

The CFC look-through rule helps provide cash-flow and liquidity for American businesses operating overseas by protecting payments such as dividends, interest, and royalties from taxation when they are made between two U.S. subsidiaries. Without the look-through rule, American businesses will be double taxed on income earned overseas.

**It is important to note that the CFC look-through rule is not a “tax loophole.”** It does not give taxpayers a windfall, but instead levels the playing field. Foreign companies typically do not face additional tax when redeploying capital amongst different subsidiaries, so the CFC look-through rule ensures American businesses can compete.

In addition, the provision does not allow American businesses to completely avoid taxation on foreign income. Income attributable to the CFC look-through rule is still taxed under Global Intangible Low-Taxed Income (GILTI) rules, which provides a reduced corporate rate on foreign income.

**There is bipartisan support for the CFC look-through rule.** Since it was first enacted in 2006, the CFC look-through rule has been extended multiple times. President Obama’s FY 2016 budget [proposal](#) called for making this provision permanent. Congress preserved the CFC look-through rule in the Tax Cuts and Jobs Act in 2017, in recognition of the fact that U.S. tax should not be owed when an American company redeploys capital among foreign subsidiaries. More recently, the CFC look-through rule was extended in 2019 on a bipartisan basis.

The Coronavirus pandemic has resulted in significant economic damage to American businesses and workers. Moving forward, we need to preserve tax policies that help businesses maintain payroll and provide liquidity so they can continue investing and creating jobs. **As such, I urge you to ensure that the CFC look-through rule is extended, and ideally made permanent, before its expiration at the end of the year.**

Onward,

Grover Norquist  
President, Americans for Tax Reform

722 12<sup>th</sup> Street N.W.

Fourth Floor

Washington, D.C.

20005

T: (202) 785-0266

F: (202) 785-0261

[www.atr.org](http://www.atr.org)