

# ManuFACTS

## Thriving in an International Economy

### America's Competitive Edge Supports U.S. Jobs

- Worldwide American companies support and create U.S. jobs. An estimated 22 million people in the United States—more than 19 percent of the private sector workforce and 53 percent of all manufacturing employees—are employed by companies with operations overseas.\*
- Fairness in the U.S. tax system is key to the ability of American companies to compete in the worldwide economy. U.S. companies' ability to compete effectively in and around the world helps assure future economic growth and U.S. jobs.
- Most developed countries charge little or no tax on foreign earnings so non-U.S. global companies generally pay taxes only where income is earned. In contrast, the United States has a worldwide tax system that taxes income wherever it is earned, potentially subjecting U.S. businesses to both U.S. and foreign taxes.
- U.S. tax laws level the playing field by allowing companies to temporarily “defer” U.S. taxes on income from their foreign operations while they serve customers and consumers in foreign markets. When the earnings are brought back to the United States, the worldwide American company pays U.S. tax net of any foreign tax paid on the foreign earnings.
- The Administration proposes some \$200 billion in tax increases on worldwide American companies, including fundamental changes foreign to international tax policies. The Administration claims longstanding tax policy encourages U.S. companies to move jobs overseas. In fact, the opposite is true. American companies establish overseas operations to grow their businesses by obtaining new foreign customers and to better serve existing customers.
- A \$200 billion tax increase on American companies will make them less competitive both at home and abroad. If U.S. companies cannot compete abroad, where 95 percent of the world's consumers are located, the U.S. economy will suffer both from the loss of foreign markets and the loss of domestic jobs that support foreign operations. In the current economic recession, U.S. policymakers should be working to make the U.S. business environment—including the U.S. tax code—more competitive vis-à-vis the rest of the world.

\*Department of Commerce, Bureau of Economic Analysis 2006 statistics (latest data)

### HOW CONGRESS CAN HELP:

- Congress should support U.S. tax laws that allow worldwide American companies to compete for customers and consumers on a level playing field in markets both at home and abroad.

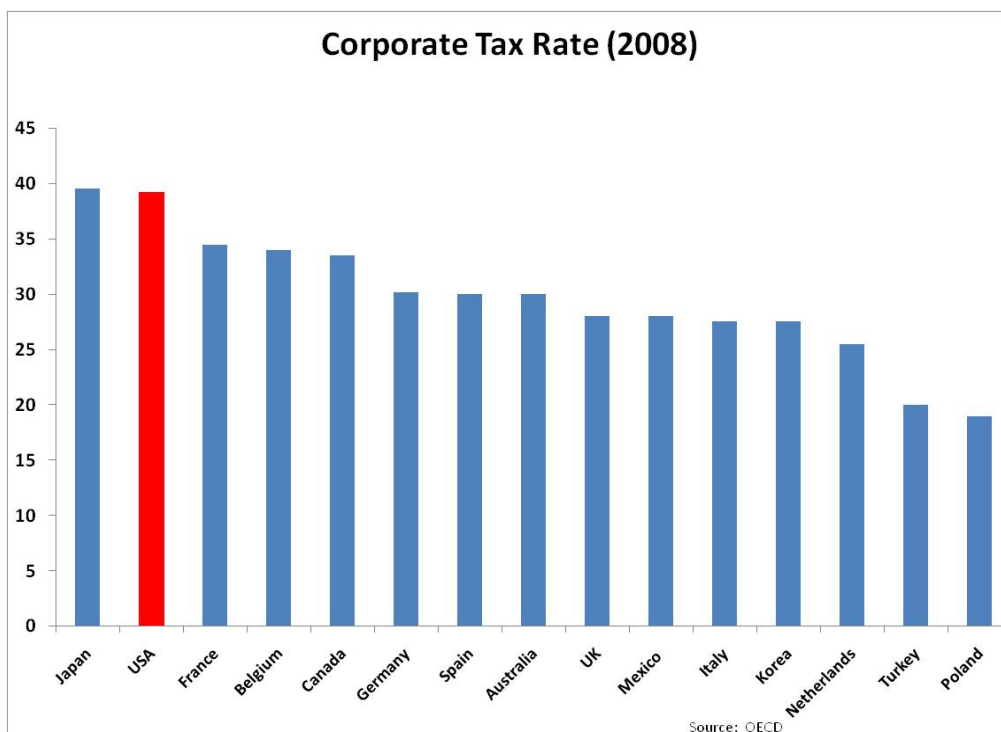


## Additional Information:

- U.S. multinationals conduct the vast majority of their operations in the United States. For U.S. multinationals, U.S. parents account for almost 70 percent of the worldwide employment, 87 percent of worldwide R&D, more than 70 percent of worldwide output and 74 percent of worldwide capital investment.
- Overseas operations supplement rather than replace U.S. operations. U.S. companies set up foreign affiliates to provide services that cannot be exported, to obtain access to natural resources, and to sell the types of goods that need to be produced locally due to transportation costs, tariffs, and local content requirements.
- U.S. firms establish operations abroad to penetrate foreign markets and add new customers. More than 95 percent of the world's consumers are outside of the United States. In order to serve these markets and increase jobs in the United States, U.S. companies must be able to compete internationally.
- U.S. business investment abroad spurs U.S. exports. U.S. multinationals are responsible for 51 percent of exports and the 4.5 million American jobs that support those exports.
- The foreign operations of U.S. corporations support U.S. suppliers and their workers. In 2006, U.S.-based international companies bought some \$5.14 trillion in intermediate inputs from U.S. suppliers. Suppliers to U.S. based international companies and spending by their employees created an additional 30.5 million U.S. jobs in 2006.

## Bottom Line:

The United States already has the second highest statutory corporate tax rate among developed nations. A \$200 billion additional tax hike on multinational companies in the United States that have overseas income would make the U.S. the only major country to impose immediate high taxes on foreign earnings. At a time when our economy is struggling and thousands of jobs are being lost every month, imposing additional taxes on U.S.-based international companies would put them at a massive disadvantage and cost American jobs.



### NAM Resources:

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