

U.S. Senate Committee on Finance

For Immediate Release

Thursday, March 17, 2005

Grassley, Baucus Affirm Intent on Repatriated Funds Tax Provision

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, ranking member, today asked the Treasury Department to ensure that companies bringing home foreign earnings for investment in the United States are not subjected to a higher tax rate than was intended in the *American Jobs Creation Act of 2004*. A drafting error in that legislation fails to properly reflect Congress’ intent. Grassley and Baucus plan to fix this error as soon as possible in a technical corrections bill. Their letter to the Treasury Department affirms their intent to do so.

March 17, 2005

Eric Solomon
Acting Deputy Assistant Secretary (Tax Policy)
Department of the Treasury
1500 Pennsylvania Ave., N.W.
Washington, DC 20220

Dear Mr. Solomon:

On November 19, 2004, we introduced H.R. 5395 and S. 3019, the Tax Technical Corrections Act of 2004. We introduced that bill to provide guidance for time-sensitive technical corrections, such as those affecting companies that plan to invest their foreign earnings in the United States and those affecting employee benefit plans. We are writing to you today to reaffirm our intent to include the provisions of H.R. 5395 and S. 3019 in a pending technical corrections bill that will be introduced in the 109th Congress.

We are particularly aware that certain technical corrections may be necessary to carry out the intent of section 965 of the Internal Revenue Code, which provides a temporary dividends received deduction for a portion of the dividends received by a U.S. corporation from a controlled foreign corporation. These technical corrections would, among other things:

1. Clarify that the disallowance of expenses in section 965(d)(2) applies only to expenses that are “directly allocable” to the deductible portion described in section 965(d)(1), and
2. Clarify that section 78 does not apply to any tax which is not allowable as a credit under section

901 by reason of section 965(d).

We anticipate introducing a technical corrections bill at the earliest opportunity in the 109th Congress, and we reaffirm that the above two technical corrections will be included in that bill. We trust this letter provides sufficient clarification so that appropriate guidance may be issued reflecting our intention.

Sincerely,

William Thomas
Chairman
Committee on Ways & Means

Charles E Grassley, Jr.
Chairman
Committee on Finance

Max Baucus
Ranking Member
Committee on Finance