U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Grassley Advances Tax Relief for Manufacturers, Farmers, Plus Significant International Tax Reforms

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today praised near-final approval of legislation to cut taxes for U.S. manufacturers, sole proprietors, partnerships, farms and small businesses that make products and create jobs, to reform and simplify international taxes for U.S. companies operating overseas, and to shut down abusive tax shelters that have come to light over the last two years. The legislation is meant to head off more trade sanctions from Europe on U.S. manufacturers and agricultural producers.

"This bill is a good solution," Grassley said. "It's not only the first step toward ending the Euro tax on America's exports, but it also gives a real shot in the arm to U.S. factories and farmers, at home and abroad. This bill was three years in the making, and we need to finish the job. Every day of delay means more sanctions freezing U.S. businesses out of the European markets, and more jobs in danger. We need to give permanent relief to the nation's job creators and lift the sanctions burden from our exports."

Grassley was the lead Senate negotiator working on a House-Senate conference committee to reconcile differences between each chamber's bill. Today, the conference committee approved a final conference report, clearing it for consideration in each chamber later this week.

Grassley wrote the Senate's version of the bill, the *Jumpstart Our Business Strength (JOBS) Act*, which won Senate approval in May on an overwhelmingly bipartisan 92 to 5 vote and won the support of every committee Democrat in a 19 to 2 approval vote last October. The conference committee's final product mirrored Grassley's legislation in many ways.

Grassley said the Foreign Sales Corporation/Extraterritorial Income Tax regime, in effect, lowers the rate of income tax imposed on goods that are manufactured in the United States and exported for sale in foreign markets. The purpose of FSC-ETI is to allow U.S. manufacturers to compete with European manufacturers who do not pay value-added taxes on their exports. The World Trade Organization has ruled that FSC-ETI is an impermissible export subsidy, and has authorized the European Union to impose up to $4 billion a year in sanctions on U.S. exports. According to media reports, the sanctions would be the largest in the WTO's history.

Grassley said the today's legislation repeals the current tax regime ruled out of compliance and replaces it with a system that would bring the United States into compliance. The bill reduces the tax rate for U.S. manufacturing by three percentage points. These cuts are for all who manufacture in America, regardless of their size. Those eligible include sole proprietors, partnerships, and corporations of all size, large and small, domestic and international, and even foreign-owned companies that make things in the United States. "These benefits also extend to farmers, miners, lumberjacks, and anyone else who manufactures, grows, or extracts products in the United States," Grassley said.

The legislation also includes significant reforms to international tax rules, which Grassley said seriously undermine America's ability to compete in the global marketplace. Grassley said the legislation includes many international tax reforms that directly benefit manufacturers, such as cleaning up problems that cause foreign earnings to be double-taxed, and a series of provisions to bring foreign earnings back home for investment in America.

Grassley said the legislation provides billions of dollars (an updated cost is forthcoming) of tax relief but doesn't add one dime to the present deficit. The tax relief is paid for in full by many of Grassley's initiatives to shut down abusive tax shelters, including those involving sewer lines and subway systems, and attacking the abusive tax strategies used by Enron, unearthed during the Finance Committee's Enron investigation, and other items. (A separate news release will have more detail.)

Because of political delays, today's action comes after the European Union's sanctions kicked in on March 1. The sanctions began as a 5 percent Euro tax on U.S. exports and increase 1 percent each month Congress doesn't repeal the current tax regime. The sanctions reached 12 percent this month, hitting more than 1,600 products, including jewelry, clothing, agricultural goods, timber, and paper.

"It's important to remember that we're not talking about faceless corporations," Grassley said. "We're talking about real people whose jobs hang in the balance. A guy who works at a sawmill in Washington state or a dairy farmer in Wisconsin shouldn't have to worry about European sanctions costing him his job. It's up to Congress to fix this problem, and I'm glad we're meeting the challenge."

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