



## 2009 Statement of Tax Policy Priorities

**Reduction of Overall US Corporate Tax rate:** PNITA believes that one of the best ways to help US based multinationals to compete on the global level is to reduce the overall corporate tax rate. The increased after tax cash flow of US multinationals will allow for better capital management and operational expansion. A tax reduction will also allow US multinationals to better price their products on the global market, thereby improving our competitive opportunities. There has been a global trend by other countries to reduce business income tax rates to allow such countries' multinationals to better compete. Some of these countries include Canada, Japan, Ireland, Australia, The Netherlands, the U.K. as well as others. PNITA believes that this is also the least complicated way to create an equal global playing field, and enhance business expansion in the U.S.

**Narrowing Subpart F for Tax Simplification and Competitiveness:** PNITA strongly supports S.2380, a bill introduced by Senators Gordon Smith (OR) and Maria Cantwell (WA) to reform Subpart F. The bill will increase the de minimis exception to foreign base company gross income from \$1M to \$5M. This will help decrease the complexity of Subpart F and will allow more U.S. multinationals to make decisions based on true business economics rather than tax induced pressures. The bill also makes permanent the Look-Through Rule that is currently set up as a temporary exception from Subpart F for dividends, interest, rents and royalties received by one CFC from a related CFC to the extent attributable to non-subpart F income of the payor.

**Recognizing (1) the European Union and (2) Hong Kong and China respectively as One Country:** PNITA believes that U.S. tax law should recognize the countries comprising the European Union ("EU") as one country for tax purposes. The EU group operates in many aspects as one country, even though it is composed of 25 independent states. By not recognizing the EU as one country, our tax law places U.S.-based companies at a significant competitive disadvantage compared to EU-based companies. It is clear that at some point in the future the EU will be treated as one country, so the question is one of timing. Accelerating the change for U.S. tax purposes would greatly benefit U.S. companies and reduce the incentive for them to move their headquarters off shore. PNITA also believes that China and Hong Kong should be treated as one country for tax purposes for the same reasons as stated above with Europe.

**Continued Development and Enactment of US Income Tax Treaties and Protocols:**

As US multinationals continue to expand international operations and conduct business in new countries, the importance of income tax treaties with our trading partners will continue to increase. PNITA supports the recent trend in treaty negotiation of reducing or eliminating withholding taxes on payments between treaty countries. The goal of income tax treaties is to encourage trade between treaty countries and to reduce the risk of double taxation. Accordingly, a better network of US income tax treaties with updated provisions that further reduce double taxation will help US based multinationals better compete internationally.

**Remove the capital loss to capital gains limitation for corporations:** PNITA supports removing the capital loss to capital gains limitation for corporations. This change would create a tax liability that is a truer reflection of economic reality. In addition, it will help remove artificial tax structures put in place to create capital gains out of ordinary income items only for the purpose of utilizing capital losses. Finally, since many countries allow capital losses to be offset by ordinary income, this policy will help U.S. multinationals compete in the worldwide marketplace by placing them on equal footing with their international counterparts.