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Contact: Erin Shields  
(202) 224-4515

**BAUCUS EXAMINES HOW INTERNATIONAL TAX CODE CHANGES  
COULD HELP AMERICA COMPETE AROUND THE WORLD**

*Finance Chairman's review is 4th in a series of hearings to prepare for broad tax reform in 2009*

*Washington, DC* – The Senate Finance Committee today examined how the tax code affects American multinational corporations and how changes could benefit U.S. businesses. Finance Committee Chairman Max Baucus (D-Mont.) questioned tax experts about different approaches to taxation of foreign income, and which method would do more to boost the competitiveness of American businesses abroad and strengthen the economy here at home.

**“It’s time to consider whether we need to make minor tune-ups to the rules for taxing foreign income, or start from scratch,”** said Baucus. **“The way we tax foreign income is important to American investments, American jobs, and American productivity. In order to enhance American competitiveness, we have to ask to what extent the tax code needs reform.”**

The panel reviewed the two primary approaches to taxing the foreign income of U.S.-based multinational businesses. The first system, worldwide taxation, taxes all of a business’s activities, no matter where they take place. The second, territorial taxation, taxes only income derived within a country’s borders. Senators weighed aspects of both systems and discussed how each would affect the tax base and the competitiveness of U.S. businesses. Baucus and other Senators questioned how the current U.S. system, an amalgam of both approaches, relates to the way other countries tax multinational businesses, and how changes to the U.S. system could help boost American businesses in the global marketplace. Although witnesses had varying opinions on the best method of reform, all of the experts agreed that some reform was necessary.

**“Put simply, the United States is close to unique among world nations in taxing foreign income in the way that we do,”** said University of Michigan Law School Professor James Hines. **“There are sizable, measureable benefits to reforming our tax code.”**

Today’s hearing was the fourth in Baucus’s series of Finance Committee hearings on tax reform to prepare for a reform of the tax code in 2009. The Finance Committee has jurisdiction over U.S. tax policy, and Baucus said that this year’s review of the tax system and reform options should produce a set of principles to guide the work of the Committee – and a new presidential administration – on tax reform next year.

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