



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

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## Grassley Wins Senate Approval of Tax Cut for Factories, Farmers, Plus Significant International Tax Reforms

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today won full Senate approval on a 92 to 5 vote of his legislation to cut taxes for U.S. factories, sole proprietors, partnerships, farms and small businesses that 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 years in the making. Today’s vote was overdue but couldn’t have been more welcome. Every day of delay means more sanctions freezing U.S. businesses out of the European markets, and more jobs in danger. I hope the House will soon follow suit with similar legislation. We need to give permanent relief to the nation’s job creators and the lift the sanctions burden from our exports.”

The *Jumpstart Our Business Strength (JOBS) Act* from Grassley and Sen. Max Baucus, ranking member of the Finance Committee, won the support of every committee Democrat in a 19 to 2 approval vote last October. However, full Senate approval came months later, after some Senate Democrats delayed the bill with attempts to vote on unrelated political amendments. Grassley worked to break the logjam because the bill is so important to preserving U.S. jobs.

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 eight-year history.

Grassley’s bill 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 his bill includes many international tax reforms that directly benefit manufacturers, such as cleaning up problems that cause foreign earnings to be double-taxed, and reforming Subpart F to ensure that active business operations are taxed when the money is brought home, and not when the companies are locked in battle with foreign competitors who don't pay taxes.

Grassley said the JOBS bill provides nearly \$170 billion of tax relief but doesn't add one dime to the present deficit. The tax relief is paid for in full by shutting 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.

Because of political delays, Senate passage comes after the European Union's sanctions kicked in on March 1. The House hasn't passed a similar bill. 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 Euro tax currently stands at 7 percent but will increase if Congress delays. The Euro tax is a very serious threat to U.S. jobs because it hits a long list of products and commodities, including agricultural goods, timber, and paper, Grassley said.

"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 hope we'll continue to meet the challenge."

*For more details on tax shelter reform, energy tax incentives, charitable giving reform, and other items contained in the JOBS Act, please see related news releases.*