Senate Committee on Finance
U.S. Senator Orrin Hatch (R-UT), Chairman
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Hatch Statement at Finance Hearing on Building a Competitive U.S. International Tax System

WASHINGTON – Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a committee hearing on the international tax system:

The committee will come to order.

I want to welcome everyone to today's hearing on Building a Competitive U.S. International Tax System. I also want to thank our witnesses for appearing before the committee today.

Reforming our international tax system is a critical step on the road toward comprehensive tax reform. Not surprisingly, the failures of our current system get a lot of attention. That's why Senator Wyden and I designated one of our five tax reform working groups to specifically look into this issue.

I know that my colleagues serving on that working group – and all of our working groups – are looking very closely at all the relevant details. I look forward to their recommendations.

As we look at our international tax system, our primary goals should be to make the U.S. a better place to do business and to allow American job creators to more effectively compete with their foreign counterparts in the world marketplace.

Our corporate tax rate has been the highest in the developed world and effective tax rates facing U.S. corporations are higher than average. In my opinion, our high corporate tax rate has to come down significantly. I think most of my colleagues – on both sides of the aisle – would agree with that.

In addition, our current system creates incentives that lock out earnings made by U.S. multinationals abroad and keep those earnings from being reinvested domestically. This also needs to be addressed in tax reform.

Additionally, I'll note that the tax base is much more mobile than it used to be. For example, thanks to advances in technology and markets, capital and labor have become increasingly more mobile. And, the most mobile assets of all – intangible assets – have taken up a greater share of wealth around the world. The problem we've seen is that intangible assets and property can easily be moved from the United States to another country – particularly if that country has a lower tax burden.

This is a disturbing trend, one that I think all of us would like to see reversed.

Some, like President Obama in his most recent budget, have responded to this trend by calling for higher U.S. taxation of foreign-source income, claiming that, by extending the reach of U.S. taxes, we can eliminate incentives for businesses to move income-producing assets to other countries.

The problem, of course, is that assets aren't the only thing that can be moved from one country to another. Companies themselves can also migrate away from our overly burdensome tax environment. And, we've seen that with the recent wave of inversions. Indeed, many companies have already decided that our current regime of worldwide taxation with absurdly high tax rates is simply too onerous and have opted to locate their tax domiciles in countries with lower rates and territorial tax systems.

In other words, if we're serious about keeping assets and companies in the U.S., we should not be looking to increase the burdens imposed by our international tax system. Instead, we should be looking to make our system more competitive.

Not only must our corporate tax rate come down across the board, we should also shift significantly in the direction of a territorial tax system. If we want companies to remain in the U.S. or to incorporate here to begin with, we should not build figurative or legal walls around America – we should fix our broken tax code.

We have a lot to discuss here today. I know that there are some differing opinions among members of the committee on these issues – particularly as we talk about the merits of a worldwide versus a territorial tax system. But, I think we've assembled a panel that will help us get to some answers on this front and, hopefully, aid us in our efforts to reach consensus as we tackle this vital element of tax reform.

With that, I now turn it to Ranking Member Wyden for his opening statement.

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