January 30, 2008

The Honorable Henry Paulson
Secretary of the Treasury,
Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

The Honorable Mitch McConnell
Senator from Kentucky
361A Russell Senate Office Building
Washington, DC 20510-1702

The Honorable Harry Reid
Senator from Nevada
528 Hart Senate Office Building
Washington, DC 20510-2803

The Honorable Charles E. Grassley
Senator from Iowa
135 Hart Senate Office Building
Washington, DC 20510-1501

The Honorable Max Baucus
Senator from Montana
511 Hart Senate Office Building
Washington, DC 20510-2602

The Honorable Eric Solomon, Assistant Secretary
Office of Tax Policy, Department of Treasury
1500 Pennsylvania Avenue, NW, Room 3120
Washington, DC 20220

Gentlemen:

The U.S. economy is facing a significant challenge, requiring immediate and meaningful stimulus. We therefore applaud the Administration and Congress' bipartisan efforts to develop a stimulus plan. We understand that the current proposal will release approximately $150 billion into the U.S. economy. As a further stimulus, the undersigned companies and trade associations respectfully urge you to include a temporary provision that would encourage repatriation of cash earned by foreign subsidiaries of U.S. companies for use in the U.S. economy. This proposal would inject twice as much (or more) money into the U.S. economy than the above proposal, but at a fraction of the revenue cost.

As you know, in 2004, Congress enacted a temporary reduction in the effective tax rate applicable to dividends paid to U.S. parent companies by their foreign subsidiaries. This led to the repatriation of nearly $360 billion (IRS data), which was invested in the U.S. and which added an estimated $10-20 billion in tax revenues in the first two years following enactment. Inclusion of a similar provision in stimulus legislation would result in comparable, perhaps greater, amounts of repatriation and tax revenues. Such legislation also provides temporary relief to U.S. companies from the challenges imposed by the United States' system of tax – which imposes the second highest corporate tax rate in the world and taxes foreign earnings of home-based companies unlike most all other countries.

An injection of $360 billion (or more) into the U.S. economy at this time would provide a strong economic stimulus, as well as strengthen U.S. companies' ability to compete and thrive in the global marketplace on a longer-term basis. The stimulus to the economy would be immediate, significant, and far-reaching:

- Injecting sizeable, much-needed capital into the U.S. economy, increasing U.S. banking system liquidity and helping stabilize financial and capital markets;
- Adding federal and state tax revenues to fund critical government priorities, including other elements of the proposed stimulus legislation;
- Strengthening the U.S. economy and financial markets through capital investment, R&D spending, job creation and retention, training, U.S. debt reduction, contributions to pension and other benefit plans, shareholder dividend payments, stock buybacks and other uses previously permitted in U.S. Treasury guidance.

Repatriating cash from foreign subsidiary earnings at a reduced U.S. tax rate fueled US economic growth in 2005-06. Bureau of Labor Statistics data indicates that, subsequent to the enactment and implementation of the 2004 temporary repatriation legislation, the United States experienced significant payroll growth (between 2/1/2005 through 1/31/2007), payroll growth that greatly exceeded such growth prior to enactment. Furthermore, Compustat analysis of companies that advanced the 2004 repatriation legislation reveals that these companies increased worldwide employment and R&D by a greater percentage following enactment than did all other publicly-traded U.S. corporations.

For the foregoing reasons, we urge you to include Senator Ensign's repatriation proposal in the stimulus legislation temporarily reducing the tax rate applicable to repatriation of cash held by foreign subsidiaries of U.S. companies.

Respectfully submitted:

American Electronics Association (AeA)
Information Technology Industry Council (ITI)
Medical Device Manufacturers Association (MDMA)
National Association of Manufacturers (NAM)
Software Finance & Tax Executives Council (SofTEC)
U.S. Chamber of Commerce
Abbott Laboratories
Adaptec, Inc.
Adobe Systems Incorporated
Agilent Technologies Inc.
Alcoa Inc.
Altera Corporation
American Power Conversion Corporation
Apple

Atheros Communications, Inc.
Bell Corporation
BMC Software
Bristol Myers Squibb
Cadence Design Systems, Inc.
Cisco Systems, Inc.
The Coca-Cola Company
Eastman Kodak Company
eBay
EDS
Electronic Arts Inc.
Eli Lilly and Company
Google Inc.
Guardian Industries Corp.
Hewlett-Packard Company
Johnson & Johnson
Kimberly-Clark Corporation
Macrovision Corporation
McDonald's Corporation
Merck & Co., Inc.
Microsoft Corporation
National Semiconductor Corporation
Oracle Corporation
Palm, Inc.
PerkinElmer, Inc.
SanDisk Corporation
Seagate Technology
Sigma-Aldrich Corporation
Silicon Graphics Inc.
Square D Company
Symantec Corporation
Synopsys, Inc.
Texas Instruments
VeriSign, Inc.
Xilinx, Inc.

cc: Senator Jeff Bingaman
Senator Jim Bunning
Senator Maria Cantwell
Senator Kent Conrad
Senator Mike Crapo
Senator John Ensign
Senator Orrin G. Hatch
Senator John F. Kerry
Senator Jon L. Kyl
Senator Blanche L. Lincoln
Senator Pat Roberts
Senator John D. Rockefeller
Senator Ken Salazar
Senator Charles E. Schumer
Senator Gordon Smith
Senator Olympia J. Snowe
Senator Debbie A. Stabenow
Senator John E. Sununu
Senator Ron Wyden