JOINT COMMITTEE ON TAXATION
June 24, 2015
JCX-98-15

**TESTIMONY OF THE STAFF OF THE JOINT COMMITTEE ON TAXATION BEFORE THE SELECT REVENUE MEASURES SUBCOMMITTEE OF THE HOUSE COMMITTEE ON WAYS AND MEANS HEARING ON THE TAXATION OF THE REPATRIATION OF FOREIGN EARNINGS AS A FUNDING MECHANISM FOR A MULTI-YEAR HIGHWAY BILL**[1]

**JUNE 24, 2015**

My name is Thomas A. Barthold. I am Chief of Staff of the Joint Committee on Taxation.[2] It is my pleasure to present the testimony of the staff of the Joint Committee on Taxation today concerning present law and recent proposals related to the taxation of repatriated or deemed repatriated foreign business earnings of U.S. companies.

I will describe the manner in which the United States taxes foreign business earnings of U.S.-parented firms when those earnings are repatriated to the U.S. parent company. I will also give an overview of three recent proposals to tax, one time at reduced rates, untaxed foreign earnings of foreign subsidiaries of U.S. parent companies: former Ways and Means Committee Chairman Dave Camp's mandatory transition tax included in the international tax reform provisions of the Tax Reform Act of 2014; the Department of Treasury's mandatory transition tax included as part of the Administration's fiscal year 2016 international tax reform proposals; and legislation introduced by Senator Rand Paul and co-sponsored by Senator Barbara Boxer to tax voluntary repatriations during a five-year period at a reduced rate.[3] I will summarize former

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[1] This document may be cited as follows: Joint Committee on Taxation, *Testimony of the Staff of the Joint Committee on Taxation Before the Select Revenue Measures Subcommittee of the House Committee on Ways and Means on the Repatriation of Foreign Earnings as a Funding Mechanism for a Multi-Year Highway Bill* (JCX-98-15), June 24, 2015. This publication can also be found at http://www.jct.gov.

[2] The staff of the Joint Committee on Taxation is nonpartisan and serves the entire Congress. The staff of the Joint Committee on Taxation includes experienced economists, attorneys, and accountants who assist Members of the majority and minority parties in both houses of Congress on tax legislation.

[3] H.R. 1, 113th Congress, 2d Session (2014), sec. 4003; Department of the Treasury, *General Explanations of the Administration's Fiscal Year 2016 Revenue Proposals*, February 2015, p. 23; S. 981, 114th Congress, 1st Session (2015), secs. 2 and 3.

Chairman Camp's and the Administration's international tax reform proposals of which transition taxes were a part.

We have included in an appendix to our written testimony revenue tables prepared by the Joint Committee staff for former Chairman Camp's and the Administration's international tax reform proposals and for Senator Paul and Senator Boxer's temporarily reduced rate on dividend repatriations. We have also included a table comparing key features of the three one-time tax proposals that I will describe.

**U.S. taxation of repatriated foreign earnings**

The United States taxes both the U.S. and foreign earnings of U.S. businesses. A U.S. multinational firm generally may delay, or defer, U.S. taxation of the business earnings of its foreign subsidiaries by reinvesting rather than distributing those earnings. U.S. firms may delay taxation of foreign subsidiary earnings for two straightforward reasons. One, the Internal Revenue Code (the "Code") respects each corporation as a distinct taxable entity, and the income, expenses, and losses of one corporation in a group of companies generally are not attributed to another corporation in the group. And two, the Internal Revenue Code largely taxes only the U.S.-source earnings, and not the foreign-source earnings, of a foreign corporation. Accordingly, when a foreign subsidiary of a U.S. parent company derives income from business operations abroad, that income typically is not attributed to the U.S. parent corporation, and the Code does not tax the foreign subsidiary because for U.S. tax purposes a foreign corporation has derived foreign-source income. When, however, the foreign subsidiary distributes previously untaxed foreign earnings to its U.S. parent company, the United States taxes the earnings for a similarly simple reason: The earnings distribution from the foreign subsidiary to its U.S. parent company shareholder is treated as a taxable dividend under the general rules for the taxation of earnings distributions by corporations.

The Code treats a distribution of foreign earnings to a U.S. parent company differently from how it treats a purely domestic distribution of earnings in one principal respect. If another country has imposed tax on the foreign earnings out of which a distribution is paid, the United States allows the U.S. tax on the distribution to be offset by a credit for the foreign tax. This foreign tax credit is allowed for a corporation that owns at least 10 percent of the voting stock of a foreign corporation that has paid foreign tax and that distributes earnings on which the foreign tax has been paid. As a simple illustration, assume a foreign subsidiary pays a 10-percent tax on its foreign earnings and distributes those earnings to its U.S. parent company. The U.S. parent company will pay a 25-percent U.S. tax on the distributed earnings, which is the 35-percent U.S. statutory corporate tax rate less a credit for the 10-percent foreign tax.

I should note that the Code departs from the general scheme of deferral of U.S. taxation of foreign business earnings for certain kinds of income. The rules of subpart F of the Code tax a 10-percent U.S. shareholder of a controlled foreign corporation (a "CFC"), which is a foreign corporation that is majority owned by five or fewer 10-percent U.S. shareholders, on its proportionate share of certain kinds of income of the CFC in the year in which the income is derived, irrespective of whether the CFC pays a dividend to the U.S. shareholder. In particular, subpart F applies, with certain notable exceptions, to a CFC's investment income in the form of

dividends, interest, rents, royalties, and capital gains and to a CFC's income from some sales and services in transactions with related parties.

For non-subpart-F foreign earnings, a U.S. multinational firm may choose to delay U.S. taxation by reinvesting rather than repatriating those earnings because, by doing so, the firm can, if the foreign tax rate is less than the U.S. tax rate, reinvest a larger (pre-U.S.-tax) amount of earnings than it would be able to invest if it repatriated the earnings, paid residual U.S. tax on the repatriation, and reinvested the after-tax amount. The U.S. financial accounting rules also may encourage U.S. companies to delay repatriating foreign earnings because companies that assert that foreign earnings have been indefinitely reinvested are – in a departure from the general financial accounting rule of current recognition of income and taxes – not required to record a financial statement tax expense in relation to those reinvested earnings. According to one recent estimate, U.S. companies in the Russell 1000 index designated in their financial statements in 2014 a total of $2.3 trillion of foreign earnings as being indefinitely reinvested.[4]

The Joint Committee staff has described in more detail in previous documents the U.S. system of worldwide taxation with deferral, the U.S. foreign tax credit rules, and the rules of subpart F.[5] We have also written extensively about policy considerations related to worldwide taxation with deferral.[6] I would be happy to answer any questions that you may have about any legal or policy matter related to the U.S. scheme for taxing cross-border income of multinational companies.

## One-time tax proposals

Three recent proposals impose one-time taxation at reduced rates on untaxed foreign income of CFCs. Two of these proposals were included in larger international tax reform initiatives.

### Former Chairman Camp's Tax Reform Act of 2014

In connection with transition to a participation exemption system for future foreign subsidiary earnings, former Chairman Camp's proposal includes a one-time mandatory tax on untaxed foreign earnings.

Former Chairman Camp's international tax reform, which applies to earnings derived after the reform takes effect, has two broad features. On the one hand, it largely eliminates U.S. residual taxation of repatriations of untaxed CFC earnings by allowing a 95-percent deduction for dividends received by U.S. parent companies from their CFCs. No foreign tax credit is

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[4] Audit Analytics, "Untaxed Foreign Earnings Top $2.3 Trillion in 2014," available at http://www.auditanalytics.com/blog/untaxed-foreign-earnings-top-2-3-trillion-in-2014/ (last accessed June 23, 2015).

[5] See, for example, Joint Committee on Taxation, *Present Law and Selected Policy Issues in the U.S. Taxation of Cross-Border Income* (JCX-51-15), March 16, 2015.

[6] *Ibid.*

allowed for dividends for which the 95-percent deduction is allowed. Consequently, the reform replaces the current U.S. credit system for eliminating double taxation of repatriated foreign earnings with an exemption method of avoiding double taxation.

On the other hand, former Chairman Camp's reform provides broad new rules intended to address shifting of profits out of the United States. These rules include a new category of subpart F income, foreign base company intangible income, on which current U.S. taxation is imposed. Foreign base company intangible income generally is income of a CFC in excess of 10 percent of the CFC's total basis in its tangible, depreciable property. To the extent foreign base company intangible income is attributable to sales or services to foreign customers, the income is taxed (after a phase-in period) at a rate of 15 percent (less foreign tax credits). To the extent the foreign base company intangible income relates to sales or services to U.S. customers, the income is taxed at the bill's full statutory corporate tax rate of 25 percent (less foreign tax credits). Intangible income of the U.S. parent company, defined in a manner similar to the definition of foreign base company intangible income of a CFC, benefits from the same 15 percent rate to the extent the intangible income is from sales or services to foreign customers.

The international tax provisions of the Tax Reform Act of 2014 also modify the present law foreign tax credit rules; narrow the foreign base company sales income category of subpart F income; provide group-wide and external leverage tests to restrict the deduction for interest expense of U.S. members of a worldwide affiliated group that includes at least one CFC; and make a number of other changes to the current U.S. international tax rules. As a consequence, U.S. multinational companies would be subject to a substantially different U.S. scheme for taxing cross-border income than the current structure. In this context, the transition tax provisions described next address the question of the treatment of untaxed earnings that are derived before the reform takes effect.

Transition tax generally

The proposal generally requires that, for the last taxable year beginning before the participation exemption takes effect, any 10-percent (by vote) U.S. shareholder of a foreign corporation must include in income, under the rules of subpart F, its pro rata share of the non-previously-taxed post-1986 foreign earnings of the corporation.[7] Earnings subject to the transition tax are not reduced by distributions made during the year of the tax, and those distributions are subject to the normal tax rules for distributions of previously taxed earnings.

A 10-percent U.S. shareholder of a foreign corporation is allowed a deduction in an amount determined by reference to the portion of deferred earnings and profits that are held in cash or liquid assets. A shareholder is allowed a 90-percent deduction for the noncash portion of earnings (with the result that the maximum residual U.S. tax rate on this portion is 3.5 percent). A shareholder is allowed a 75-percent deduction for the portion of earnings represented by cash

[7] The transition tax applies to any foreign corporation that has at least one 10-percent (by vote) U.S. shareholder, not just to CFCs. Accordingly, the proposal broadens subpart F, which normally applies only to CFCs and their 10-percent U.S. shareholders, for purposes of taxing previously untaxed foreign earnings.

and other liquid assets (with the result that the maximum residual U.S. tax rate on this portion is 8.75 percent).

The credit for foreign tax imposed on earnings subject to the transition tax is allowed only for the nondeductible (taxable) portion of those earnings, and the section 78 inclusion of foreign taxes does not apply to the deductible portion of the earnings.

Reduction for loss corporations

The transition tax allows a 10-percent U.S. shareholder's income inclusion in respect of the earnings of one or more foreign corporations to be reduced by that shareholder's share of the earnings and profits deficit of any other foreign corporation in which the shareholder owns 10 percent of the stock. This loss offset provision departs from the structure of present law subpart F because subpart F outside the transition tax does not permit U.S. shareholders to offset inclusions in respect of one CFC with losses attributable to their ownership of the stock of other CFCs.

Installment payments

A 10-percent U.S. shareholder may elect to pay the net tax liability resulting from the mandatory inclusion of pre-effective-date undistributed earnings in eight installments. The net tax liability that may be paid in installments is the excess of the 10-percent U.S. shareholder's net income tax for the taxable year in which the pre-effective-date undistributed earnings are included in income over the taxpayer's net income tax for that year determined without regard to the inclusion. The timely payment of an installment does not incur interest.

A special rule permits an S corporation shareholder to defer its net tax liability until the occurrence of a triggering event such as a transfer of shares in the S corporation or a liquidation.

Highway Trust Fund

The proposal provides that income tax payments relating to the net tax liability for the deemed repatriation of pre-effective date foreign earnings are transferred to the Highway Trust Fund. The Highway Trust Fund, established in 1956, is divided into two accounts, a Highway Account and a Mass Transit Account, each of which is the funding source for specific programs. The Highway Trust Fund is currently funded by taxes on motor fuels (gasoline, kerosene, diesel fuel, and certain alternative fuels), a tax on heavy vehicle tires, a retail sales tax on certain trucks, trailers and tractors, and an annual use tax for heavy highway vehicles. Of the receipts received in the Treasury as a result of the deemed repatriation provision (and not otherwise appropriated), an amount equivalent to 20 percent is transferred to the Mass Transit Account, with the remaining balance transferred to the Highway Account.

Administration's fiscal year 2016 revenue proposals

As part of a broad set of international tax reform proposals included in the Administration's fiscal year 2016 revenue proposals, the Department of the Treasury has proposed a one-time, mandatory, 14-percent tax on untaxed foreign earnings.

The Administration's proposed reform, which generally applies to earnings derived after the reform takes effect, has two structural features similar to the principal features of former Chairman Camp's international tax reform provisions. The Administration's reform imposes a 19-percent minimum tax on CFC earnings and removes residual U.S. taxation of repatriations of earnings subject to this minimum tax. The minimum tax thereby provides a partial exemption system for avoiding double taxation of foreign earnings in place of the current credit system.

On the other hand, the Administration's reform includes broad anti-profit-shifting rules applicable to U.S. multinational companies. The minimum tax itself is one such rule addressed at profit shifting. The Administration also has proposed, among other things, introducing a new category of subpart F income for transactions involving digital goods or services; expanding foreign base company sales income to include income from manufacturing services arrangements; disallowing deductions for interest and royalties in transactions involving hybrid instruments, hybrid entities, or hybrid transfers; disallowing the CFC look-through and same-country exceptions under subpart F for certain transactions with reverse hybrid entities; making the rules for corporate inversions stricter, including by treating some inverted companies as domestic if the affiliated groups of which they are a part are managed and controlled in the United States; and amending certain technical features of the subpart F rules under which taxpayers now are able to avoid subpart F income.

As they would with former Chairman Camp's international tax reform, U.S. multinationals would operate under a substantially new set of international tax rules if the Administration's revenue proposals were enacted. The 14-percent tax on untaxed CFC earnings addresses the question of how historic earnings of CFCs should be treated in a transition to this new set of rules.

<u>One-time tax on historic CFC earnings</u>

The proposal imposes a one-time tax of 14 percent on untaxed earnings and profits of CFCs accumulated for taxable years beginning before January 1, 2016.

The proposal does not specify whether it applies to all U.S. 10-percent shareholders of CFCs or only to domestic corporate 10-percent shareholders of CFCs. If, as in former Chairman Camp's proposal, the transition tax were imposed by means of an increase in the subpart F income of a CFC by the amount of the CFC's untaxed earnings, and no modifications were made to subpart F's inclusion rules, all 10-percent U.S. shareholders, not just domestic corporate shareholders, would be taxed. In contrast, the 19-percent minimum tax proposal applies only to domestic corporations with respect to their CFCs.

The proposal does not explicitly address certain other technical questions including, for example, the treatment of actual dividend distributions in the taxable year of transition.

<u>Foreign tax credit</u>

The proposal allows a proportionate credit for the foreign taxes associated with earnings subject to the transition tax. Because the tax is at a 14 percent rate rather than the maximum statutory corporate tax rate of 35 percent, the credit rate is 14/35, or 40 percent of the otherwise available credit.

Installment payments

The one-time tax is payable ratably over five years. The proposal does not specify whether interest is imposed on the installment payments.

Highway Trust Fund

The Administration has stated that revenues from the one-time transition tax are to be used to fund its surface transportation reauthorization proposal and any shortfalls between surface transportation revenue and spending under present law for the proposal period.

Invest In Transportation Act

The Invest In Transportation Act, introduced by Senator Paul and co-sponsored by Senator Boxer, allows a domestic corporation to make a one-time election of an 81.4-percent dividends-received deduction ("DRD") for certain dividends received from CFCs during the five years following the election. At a 35-percent statutory corporate tax rate, the 81.4-percent deduction yields a maximum residual U.S. tax rate of 6.5-percent on dividends qualifying for the deduction.

The Invest In Transportation Act's voluntary repatriation provision is a modified version of the temporarily reduced taxation of CFC dividend repatriations enacted in 2004 in section 965. Section 965 allowed domestic corporations to elect an 85-percent DRD (for a maximum residual U.S. tax rate of 5.25 percent) for some dividends received from CFCs during a single taxable year, subject to a number of conditions and limitations. Included in these limitations were requirements that eligible dividends be: (1) in excess of a specified level of historical average repatriations; (2) no more than the greater of $500 million or the amount of overseas earnings identified for financial accounting purposes as permanently reinvested abroad; and (3) reinvested in the United States under a dividend reinvestment plan approved by the management and board of directors of the electing corporation and meeting certain other criteria.

Senator Paul and Senator Boxer's bill differs from the 2004 temporary tax holiday in a number of ways in addition to the deduction percentage and the duration of the holiday. The bill limits the amount of dividends eligible for the deduction to the U.S. shareholder's proportionate share of the untaxed earnings of its CFCs as of the end of the last taxable year ending on or before December 31, 2014. Additionally, if in any year the amount taken into account under the elective DRD is less than 20 percent of the amount designated in the taxpayer's election, the amount of dividends allowed to be taken into account in future years is reduced by the shortfall. The bill also provides different domestic reinvestment plan requirements than the 2004 holiday. For example, the bill requires that a U.S. corporation's plan must provide that at least 25 percent of the dividends taken into account under the proposal will be used for at least one of a number of specified purposes including to increase employment, wages and benefits, or pension contributions; to provide for energy efficiency, environmental, or capital improvements; to invest in public infrastructure; for research and development; or for the acquisition of other businesses. The domestic reinvestment plan also must provide that none of the dividends taken into account under the bill will be used during the plan period to compensate certain highly paid employees.

The bill denies the deduction for companies that invert at any time in the 10-taxable-year period beginning with the first taxable year after 2013 to which the bill applies, and it imposes a tax of 20 percent of any amount elected by a corporation that inverts during this period. This 20-percent tax would apply in the year of the inversion.

The Invest in Transportation Act includes transfers to the Highway Trust Fund. The bill requires the Treasury Secretary to estimate the amount of revenues to be received before October 1, 2019 from income taxes imposed on dividends taken into account under the bill. Out of Treasury funds not otherwise appropriated, the bill appropriates to the Highway Account in the Highway Trust Fund 80 percent of the amount of revenues estimated to be received. The bill appropriates the remaining 20 percent to the Mass Transit Account in the Highway Trust Fund. The bill requires the Treasury Secretary to determine by October 1, 2023 the amount of revenues actually received from income taxes imposed on dividends taken into account under the bill, and to the extent the amount of actual revenues exceeds the earlier projected revenue amount, the bill directs that the excess be appropriated to the Highway Account and the Mass Transit Account in certain specified percentages.

## Conclusion

Some of the matters that I have described in this testimony are addressed in more detail in the Joint Committee staff pamphlet prepared in connection with this hearing. I am happy to answer any questions that the committee may have at this time or in the future.

## APPENDIX 1: COMPARISON OF PROPOSALS TO TAX HISTORIC FOREIGN EARNINGS

| | Rep. Camp – TRA2014 (H.R. 1, 113th Congress) | Administration Budget (Fiscal Year 2016) | Senators Paul and Boxer (S. 981, 114th Congress) |
|---|---|---|---|
| **Background** | Included as part of transition to a participation exemption system that permits 10-percent corporate shareholders of foreign corporations to deduct 95 percent of dividends. | Included as part of transition to a reformed international tax system that taxes foreign earnings of CFCs and foreign branches in the year earned or not at all. | Allows companies a one-time election to repatriate untaxed foreign earnings at a reduced tax rate over a limited period. |
| **Effective Tax Rate (Before Foreign Tax Credit)** | 8.75 percent on foreign cash or cash equivalents<br>3.5 percent on all other foreign assets. | 14 percent | 6.5 percent |
| **Mandatory?** | Yes, irrespective of whether earnings are repatriated; no restrictions on use of funds if actually repatriated. | Yes, irrespective of whether earnings are repatriated; no restrictions on use of funds if actually repatriated. | No |
| **Applicable Earnings** | Accumulated deferred post-1986 foreign earnings | Accumulated deferred foreign earnings | Accumulated deferred foreign earnings, to extent the elected amount exceeds average repatriation in recent years. |
| **Conditions or Special Payment Rules** | At election of shareholders, transition tax may be paid in eight annual installments, at specified percentages, with certain additional relief for S corporations. | Transition tax is payable ratably over five years. | Actual repatriation is to be completed over five years, with repatriated funds to be used in the United States for hiring, compensation, research, energy efficiency and environmental improvements, public-private partnerships, capital improvements, or acquisitions. Tax due for taxable year of actual repatriation. |
| **JCT Estimate of Revenue Effect** | $170.4 billion revenue gain 2014-2023 | $217.2 billion revenue gain 2015-2025 | $117.9 billion revenue loss 2015-2025 |

## APPENDIX 2: REVENUE TABLES

Below are Joint Committee staff estimates of the revenue effects of the proposals described above.[8]

[8] The estimate of title IV of the Tax Reform Act of 2014 is adapted from the estimate included in Joint Committee on Taxation, *Estimated Revenue Effects of the "Tax Reform Act of 2014"* (JCX-20-14), February 26, 2014, pp. 11-12. The estimate of the international revenue provisions of the Administration's fiscal year 2016 budget proposals is adapted from the estimate included in Joint Committee on Taxation, *Estimated Budget Effects of the Revenue Provisions Contained in the President's Fiscal Year 2016 Budget Proposal* (JCX-50-15), March 6, 2015, pp. 1-2. The estimate of the proposal by Senators Paul and Boxer first appeared publicly as accompaniment to Stephanie Beasley, "Tax Repatriation for Highway Funding Not Viable Without Tax Overhaul, Says Rep. Ryan," *Bloomberg BNA Daily Tax Report,* May 1, 2015.

**- Table 1 -**

**ESTIMATED REVENUE EFFECTS OF INTERNATIONAL PROVISIONS CONTAINED IN THE "TAX REFORM ACT OF 2014" [1]**

**Fiscal Years 2014 - 2023**

*[Billions of Dollars]*

| Provision | Effective | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2014-18 | 2014-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Participation Exemption System for the Taxation of Foreign Income** | | | | | | | | | | | | | |
| A. Treatment of Deferred Foreign Income Upon Transition to Participation Exemption System of Taxation and Modifications to OFL Rules [2]........................................ | [3] | -1.2 | 12.3 | 23.3 | 20.5 | 11.6 | 11.8 | 16.6 | 24.8 | 31.4 | 19.0 | 66.5 | 170.4 |
| B. Establishment of Exemption System................................ | [4] | -7.3 | -15.8 | -21.1 | -24.9 | -25.2 | -25.0 | -25.0 | -25.9 | -26.7 | -28.2 | -94.2 | -225.1 |
| C. Modifications Related to Foreign Tax Credit System...... | [4] | --- | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.9 | 1.8 |
| D. Rules Related to Passive and Mobile Income.................. | [4] | -3.0 | 8.7 | 15.5 | 12.9 | 12.8 | 14.3 | 15.9 | 15.3 | 14.7 | 14.0 | 46.9 | 121.2 |
| **NET TOTAL ....................................................................................** | | **-11.5** | **5.4** | **18.0** | **8.7** | **-0.6** | **1.3** | **7.7** | **14.4** | **19.6** | **5.0** | **20.1** | **68.3** |

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NOTE: Details may not add to totals due to rounding.

[1] Estimate as reported in JCX-20-14 on February 26, 2014.

[2] Funds designated under section 965 for the Highway Trust Fund included in item IV.A

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2014-18 | 2014-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| in item IV.A..................................................................... | --- | 5.1 | 10.1 | 10.1 | 10.1 | 10.1 | 14.5 | 22.1 | 28.5 | 15.8 | 35.4 | 126.5 |

[3] Effective for the last taxable year of foreign corporations beginning before January 1, 2015, and to taxable years of the U.S. shareholders in which or with which such taxable years of foreign corporations end.

[4] Generally effective for taxable years of foreign corporations beginning after December 31, 2014, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

**- Table 2 -**

**ESTIMATED REVENUE EFFECTS OF INTERNATIONAL PROVISIONS CONTAINED IN THE PRESIDENT'S FISCAL YEAR 2016 BUDGET PROPOSAL [1]**

**Fiscal Years 2015 - 2025**

*[Billions of Dollars]*

| Provision | Effective | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2015-20 | 2015-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Reform U.S. International Tax System** | | | | | | | | | | | | | | |
| A. Impose a 14-Percent One-Time Tax on Previously Untaxed Foreign Income................................................ | [2] | 7.5 | 53.9 | 48.1 | 49.0 | 50.1 | 43.1 | -8.1 | -6.5 | -6.7 | -6.9 | -6.6 | 251.9 | 217.2 |
| B. Impose a 19-Percent Minimum Tax on Foreign Income | tyba 12/31/15 | --- | 15.3 | 30.0 | 28.3 | 28.2 | 28.9 | 29.7 | 28.2 | 26.1 | 24.8 | 22.7 | 130.7 | 262.3 |
| C. Other Rules Related to Foreign Income......................... | various | -3.6 | -2.5 | 2.0 | 2.9 | 3.5 | 4.4 | 5.9 | 7.3 | 8.2 | 9.6 | 11.2 | 6.8 | 49.1 |
| **NET TOTAL** ........................................................................................ | | **4.0** | **66.7** | **80.1** | **80.3** | **81.9** | **76.4** | **27.6** | **29.1** | **27.7** | **27.5** | **27.3** | **389.4** | **528.6** |

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NOTE: Details may not add to totals due to rounding.

Legend for "Effective" column: tyba = taxable years beginning after

[1] Estimate as reported in JCX-50-15 on March 6, 2015.

[2] Effective on the date of enactment and would apply to earnings accumulated for taxable years beginning before January 1, 2016.

**- Table 3 -**

**ESTIMATED REVENUE EFFECTS OF A PROPOSAL BY SENATOR RAND PAUL AND SENATOR BARBARA BOXER**
**FOR A TEMPORARY REDUCED RATE ON CERTAIN DIVIDEND REPATRIATIONS FROM FOREIGN SUBSIDIARIES OF U.S. CORPORATIONS [1]**

**Fiscal Years 2015 - 2025**

*[Billions of Dollars]*

| Provision | Effective | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2015-20 | 2015-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Allow U.S. Corporations to Make a One-Time Election of an 81.4-Percent Dividends-Received Deduction for Certain Dividends They Receive from Their Controlled Foreign Corporations During the Five Years Following the Election.................................................................. | tyba DOE | 4.3 | 24.5 | 1.0 | -5.8 | -12.5 | -12.4 | -15.9 | -23.0 | -27.1 | -26.6 | -24.4 | -0.9 | -117.9 |

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NOTE: Details may not add to totals due to rounding.

Legend for "Effective" column:
DOE = date of enactment
tyba = taxable years beginning after

[1] Estimate as reported by Bloomberg BNA on April 30, 2015.