International Association of Machinists
& Aerospace Workers

IAM SUPPORTS NO TAX BREAKS FOR OUTSOURCING ACT (H.R. 995, S. 409)

For far too long, U.S. businesses have been incentivized to outsource U.S. jobs to low-cost, low-wage nations in search of ever-increasing short-term profits. During the first Trump administration, Congress passed the Tax Cuts and Jobs Act (TCJA) worsening this problem by creating new incentives to outsource American jobs and shift profits offshore. The TCJA created a special tax rate for offshore profits that is half the domestic rate. In addition, the Tax Cuts and Jobs Act exempted from taxation a portion of the returns on tangible investments made overseas, such as plants and equipment.

The No Tax Breaks for Outsourcing Act (led by Senator Sheldon Whitehouse and Rep. Lloyd Doggett) would work to stop the bleeding by modifying the U.S. tax code to incentivize companies to keep production, and the jobs associated with it, here in the United States. The legislation would boost U.S. economic competitiveness by encouraging domestic investment and helping level the playing field for domestic companies.

The No Tax Breaks for Outsourcing Act would:

- **Equalize the tax rate on profits earned abroad to the tax rate on profits earned here at home.** This legislation would end the preferential tax rate for offshore profits by eliminating the deductions for "global intangible low-tax income (GILTI)" and "foreign-derived intangible income" and applying GILTI on a per-country basis.

- **Repeal the 10 percent tax exemption on profits earned from certain investments made overseas.** In addition to the half-off tax rate on profits earned abroad, the new law exempts from tax entirely a 10 percent return on tangible investments made overseas, such as plants and equipment. This legislation would eliminate the zero-tax rate on certain investments made overseas.

- **Treat "foreign" corporations that are managed and controlled in the U.S. as domestic corporations.**

- **Crack down on inversions by tightening the definition of expatriated entity.** This provision would discourage corporations from renouncing their U.S. citizenship. It would deem certain mergers between a U.S. company and a smaller foreign firm to be a U.S. taxpayer, no matter where in the world the new company claims to be headquartered.

- **Eliminate tax break for foreign oil and gas extraction income.** Oil and gas extraction income earned abroad gets an even further break on the already half-off rate other industries pay on their offshore profits. This provision would eliminate this special tax break for big oil companies.

The IAM urges lawmakers to support and cosponsor H.R. 995 and S. 409, the No Tax Breaks for Outsourcing Act.