MEDIA STATEMENT

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BRT: It's Official: President Embraces Lower Corporate Tax Rate But Revenue Neutrality, Competitive Territorial System Missing

Washington – By endorsing a lower corporate tax rate, President Obama's "framework" recognizes that the nation's corporate tax system is out-of-date and that significant reforms are needed to improve U.S. competitiveness, Business Roundtable (BRT) President John Engler said today.

"It's official: President Obama, congressional leaders of both political parties, and the Republican candidates for President all support lowering corporate tax rates. Now let the debate begin," Engler said.

"That debate must focus on the best achievable rate to promote U.S. economic growth and job creation without raising taxes and while creating a competitive territorial system."

Despite the President's proposal to cut corporate rates to 28 percent, the framework would still leave the U.S. combined corporate rate 8 percentage points higher than the average of countries in the Organization for Economic Cooperation and Development. The result would keep the United States at a significant disadvantage with its major competitors, Engler said.

In addition, the omission of a competitive territorial system combined with what appears to be major revenue increases – including proposed tax increases on American companies with worldwide operations – mean the framework falls far short of a comprehensive modernization of the corporate tax system.

For American companies to compete more effectively, BRT believes the corporate rate should be no higher than 25 percent and be coupled with a competitive territorial tax system like the rest of the world.

The framework described by U.S. Treasury Secretary Tim Geithner today outlines a series of significant tax increases on companies with worldwide operations – most notably a minimum tax on foreign income. No other developed country imposes such a "minimum tax" on the foreign earnings of their corporations.

BRT supports modernizing and streamlining the tax code to adopt a fiscally responsible (i.e., revenue neutral) tax system that lowers rates and transitions to the kind of competitive territorial system common to other developed economies.

Engler noted that the failure to add a competitive territorial system goes against the recommendations made to President Obama by his National Commission on Fiscal Responsibility and Reform ("Simpson-Bowles") and his Export Council.

“The last comprehensive tax reform in the United States was a generation ago. The U.S. tax system has become increasingly outdated, complicated and uncompetitive as the world economies have grown more interconnected,” Engler said. “The framework adds complexity and raises taxes, moving us away from the rest of the world.”

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