TAX FOUNDATION

TAX FEATURES

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56th National Conference

Panelists: National Consumption Taxes Problematic—and Possible

A consumption tax may be attractive for a number of reasons, but if enacted policymakers need to ensure that it is a substitute for—and not an addition to—the current income tax system.

That was one of the prevailing messages from guest speakers at the Tax Foundation's Annual Conference, held November 17 in the Waldorf-Astoria Hotel in New York City. The full-day event attacted over 240 attendees.

Panelists gather to talk before the second session. From left: James Miller, former Co-Chairman, Tax Foundation; Charles E. McLure, Jr., Senior Fellow, Hoover Institution; Perry Quick, Director of Tax Analysis and Economics, Ernst & Young; and Robert Reischauer, Director, Congressional Budget Office.

With the deficit increasingly dominating the tax policy debate in recent years, the Foundation opted to focus on alternative taxes. The conference, titled "Tax Policy and the Continuing Deficit Debate: Is There a Consumption Tax in our Future?", featured 15 tax and policy experts, including James C. Miller III, former Director at the Office of Management and Budget; Robert D. Reischauer, Director of the Congressional Budget Office; Fred Goldberg, former Assistant Secretary of Treasury and IRS Commissioner; and David P. Bradford, Professor of Economics and Public Affairs at Princeton University.

As the luncheon speaker, Mr. Goldberg—currently with Skadden, Arps, Slate, Meagher & Flom, and a member of the Tax Foundation Program Committee—predicted that a consumption tax would eventually be adopted because the income tax is no longer an effective means for collecting revenue fairly or efficiently.

Mark Weinberger, Tax Counsel to Senator John Danforth (R-Mo.), and Charles McLure, Jr., of the Hoover Institution, speaking on an afternoon panel, also saw the income tax system as no longer being effective. Consumption taxes will inevitably dominate the tax policy debate

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FRONT & CENTER

The Penny-Kasich Fight for Deficit Reduction

Reps. Tim Penny (D-Minn.) and John Kasich (R-Ohio)

Foundation Releases Analysis of OBRA'93 Impact

According to a new *Special Report* by the Tax Foundation, American families can expect to pay an average of $298 more in taxes in 1994 as a result of Congress's passage of the Omnibus Budget Reconciliation Act of 1993 (OBRA'93). Yet residents of some states, like Connecticut, can expect to pay a good deal more than that, while residents of other states, like Mississippi, can expect to pay less.

In "OBRA 1993: What Taxpayers Can Expect in 1994," Senior Economist Arthur Hall projects the financial impact of the tax provisions on a state by state basis, and further breaks it down by income class. Taxpayers at the upper end of the income scale can expect to bear the biggest additional burden, due to the hike in individual income taxes.

However, they won't be alone: About 46 percent of all taxpayers will pay higher individual income taxes as a result of OBRA'93. For taxpayers with under $115,000 in annual income, changes in the way Social Security benefits are taxed account for the additional taxes. The new law increases from 50 percent to 85 percent the amount of Social Security benefits subject to federal taxation.

The 4.3-cent per gallon gas tax increase, which took effect October 1, accounts for most of the projected revenue from the lower income groups. Dr. Hall also expects the lower income groups to bear indirectly a large portion of the tax increases affecting business.

The table below shows Dr. Hall's estimates of the total tax increase for 1994 and how the tax burden resulting from OBRA'93 will be distributed among different income classes in the U.S. The table to the right shows the increased federal tax burden of each state. It also shows how the total burden averages out among the families residing in each state, and how the families compare with those in other states.

In terms of total additional tax dollars sent to the U.S. Treasury, California, New York, Texas, Illinois, and Florida comprise the top five states. Wyoming, South Dakota, North Dakota, Montana, and Vermont comprise the bottom five states in terms of total additional dollars sent to Washington. But there is more variability among states in the bottom five when each tax category is analyzed separately.

Families in Connecticut can expect the largest additional tax burden next year, an average of $467 in extra taxes. Mississippi families can expect the smallest additional burden, an average of $103 in new taxes.

U.S. Breakdown by Income Class of 1994 Tax Burden from the Tax Provisions of OBRA'93

Income Class	Gas Tax ($Millions)	Individual Provisions ($Millions)	Business Provisions ($Millions)	Total Taxes ($Millions)	Avg. Family Taxes
under $15,000	$1,470.5	$0.0	$975.6	$2,446.1	$67
$15,000 under $22,500	605.9	0.0	382.6	988.6	66
$22,500 under $30,000	519.6	0.0	438.1	957.6	74
$30,000 under $35,000	409.9	7.6	426.9	844.4	83
$35,000 under $45,000	332.1	26.8	418.3	777.2	94
$45,000 under $60,000	528.2	16.3	842.3	1,386.8	105
$60,000 under $75,000	365.1	187.5	732.4	1,285.0	141
$75.000 under $115,000	393.3	238.1	1,128.5	1,760.0	180
$115,000 under $150,000	111.4	134.9	528.2	774.5	279
$150,000 under $300,000	78.6	324.4	688.3	1,091.4	557
$300,000 under $750,000	24.2	4,707.2	507.0	5,238.4	8,673
$750,000 or more	7.8	17,517.3	914.3	18,439.4	94,561
Total	$4,846.7	$23,160.8	$7,982.6	$35,990.1	$298

Source: Tax Foundation.

Impact of OBRA'93 on States

State	Total ($Mil.)	Avg. Family Taxes	Rank by Average
Alabama	$412.4	$232	38
Alaska	96.1	262	26
Arizona	427.5	257	27
Arkansas	204.6	201	49
California	4,859.0	341	6
Colorado	452.4	277	19
Connecticut	857.1	467	1
Delaware	111.9	324	10
Dist. of Col.	108.7	306	12
Florida	1,898.0	301	13
Georgia	876.8	292	17
Hawaii	144.6	254	30
Idaho	89.9	210	47
Illinois	1,912.7	336	7
Indiana	683.9	256	28
Iowa	286.9	214	43
Kansas	323.6	275	22
Kentucky	370.9	232	40
Louisiana	414.2	233	37
Maine	129.5	211	46
Maryland	911.8	365	4
Massachusetts	1,115.6	344	5
Michigan	1,450.5	326	8
Minnesota	630.1	294	16
Mississippi	109.5	103	51
Missouri	653.3	269	24
Montana	72.0	193	50
Nebraska	184.5	239	35
Nevada	186.6	274	23
New Hampshire	180.0	298	14
New Jersey	1,814.6	413	2
New Mexico	145.3	214	44
New York	3,420.7	387	3
North Carolina	756.5	236	36
North Dakota	66.1	217	42
Ohio	1,341.6	250	31
Oklahoma	335.4	243	33
Oregon	336.1	247	32
Pennsylvania	1,629.0	275	21
Rhode Island	165.8	320	11
South Carolina	348.7	218	41
South Dakota	65.7	202	48
Tennessee	547.2	239	34
Texas	2,262.3	295	15
Utah	161.0	232	39
Vermont	79.4	277	20
Virginia	986.8	325	9
Washington	657.4	282	18
West Virginia	157.4	212	45
Wisconsin	606.5	256	29
Wyoming	57.3	264	25
United States	$35,990.1	$298	

Note: Numbers may not add up to total due to rounding.

Source: Tax Foundation.

Lindsey: Reserve Tax Inhibits Monetary Policy

The federal government should pay interest on accounts that banks are required to keep in reserve, Federal Reserve Board Governor Lawrence Lindsey proposed in a recent Policymaker Interview published by the Tax Foundation.

"Not only is it unfair, but this age-old regulation, or 'reserve tax', also acts as an inhibition to monetary policy," Governor Lindsey told Foundation Chief Economist J.D. Foster and Senior Economist Arthur Hall in their private meeting. "It makes fighting inflation just that much harder."

In conjunction with the interview, the Foundation issued a new *Background Paper* by Dr. Hall, titled "Uncompensated Reserve Requirements: The Hidden Tax on Our Banks." The paper provides an overview of the history, politics, and economics of the reserve requirements.

In the study, Dr. Hall relates how, starting in 1863, the federal government required a substantial segment of the banking industry to hold in reserve a specified fraction of their deposits. Since 1914, all banks (and since 1980, all depository institutions) have had to keep some measure of their required reserve balances at the Federal Reserve—yet Congress has never permitted the Fed to make compensating interest payments on these required reserve deposit balances.

As a result, says Dr. Hall in his paper, the reserve requirements have always acted as a hidden tax on banks. In his interview, Governor Lindsey agreed with this viewpoint: "I think it is a tax, and a pretty big one," he noted. "You could score the cost of the tax at around $700 million a year." Governor Lindsey's figure is the estimated reserve requirement measured by the average federal funds rate (see Chart 1). In his study, Dr. Hall also measures the reserve requirements several other ways—including by return on equity. That is, what would be the benefits if there were no federal reserve requirement and banks could use the additional funds to make new loans? Currently, Dr. Hall estimates that figure to be close to $7 billion (see Chart 2).

"If banks pass the entire amount of the reserve tax onto depositors in the form of lower interest rates and higher fees," Dr. Hall notes, "the amount of the reserve tax would also represent an amount of income lost to savers and consumers." Thus, an individual who puts $1,000 away for 30 years into a retirement plan would lose $25,438 if the reserve tax reduced the interest earned from 9.094 percent to 8 percent. "In effect, the reserve tax on banks would act identically to a tax on personal (and business) interest income earned on bank deposits."

Dr. Hall relates that in the mid-1970s, the inflation-driven increase in the reserve tax and the advent of interest-paying checking accounts made the cost of membership in the Federal Reserve System prohibitive for many banks. As the membership of the Fed began to fall, Fed Governors started making legislative recommendations that would permit it to pay interest on member banks' required reserve balances. Congress, however, rebuffed the Fed on the issue.

If Congress agreed to eliminate the reserve tax, it would reduce the Fed's net revenue about $1.6 billion in 1993. Less Federal Reserve net revenue means less Fed revenue transferred to the federal government.

These transfers represent a small—and shrinking—component of the federal government's total revenues. Yet in these difficult budgetary times, eliminating the reserve tax is not popular among legislators. In fact, Congress wants to increase the Fed-to-Treasury transfers.

In this year's budget agreement, the House and Senate banking committees—in an effort to produce their share of spending "cuts"—recommended measures that would raid the Federal Reserve's surplus account. The committees' recommendations became law with the Omnibus Budget Reconciliation Act of 1993, which requires the Fed to transfer to the Department of Treasury an additional $106 million in 1997 and $107 million in 1998.

Still, the current members of the Board of Governors of the Federal Reserve System unanimously agree that the reserve tax should be eliminated by paying depositories a market rate of interest on their required reserve balances kept at the Fed.

Chart 1:
Estimated "Reserved Tax" After Monetary Control Act of 1980 (Measured by Average Federal Funds Rate)

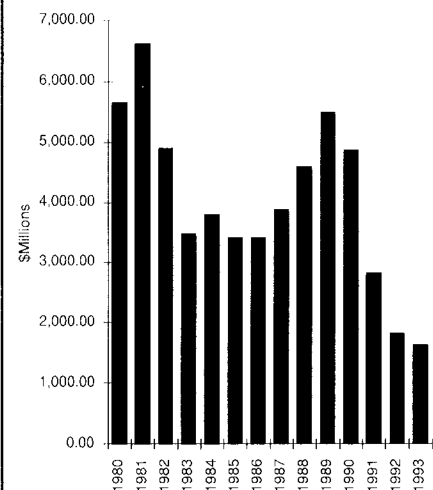
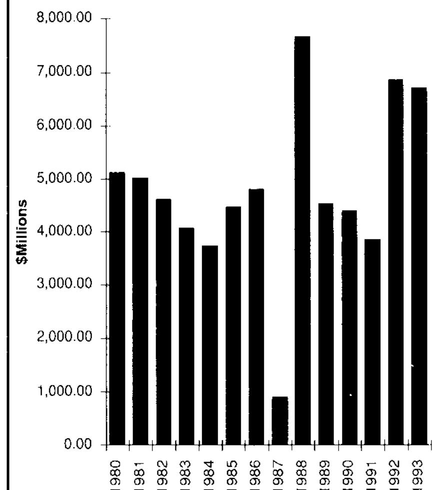


Chart 2:
Estimated "Reserved Tax" After Monetary Control Act of 1980 (Measured by Return on Equity)



Source: Tax Foundation; Federal Reserve Board of Governors; Federal Deposit Insurance Corp.

The Penny-Kasich Fight for Deficit Reduction

Rep. Tim Penny (D-Minn.) and Rep. John Kasich (R-Ohio)

In Washington, D.C., the status quo reigns. On November 22, the House of Representatives narrowly rejected the Penny-Kasich spending cuts amendment, and thus let the last, best opportunity for real change in Washington this year slip through its fingers. Our amendment, offered to President Clinton's "Reinventing Government" legislation, would have saved taxpayers $90.4 billion over the next five years. But while we were defeated by a slim 219 to 213 margin, we were successful in focusing the attention of Congress, and the nation, on the need to cut the federal deficit now.

History of Penny-Kasich

The Penny-Kasich plan actually started last August, on the eve of the House vote on the president's economic package. Many Republicans and Democrats contended the measure was far too heavy in new revenues and far too light in spending cuts. Indeed, the administration's original pledge—that every dollar of tax increases be matched by two dollars in spending cuts—had been abandoned.

Worse, the president's budget, which was sold as a deficit-reduction plan, didn't solve the problem. Under Clinton's program, annual deficits of about $200 billion will persist through the 1990s and swell to $300 billion in the next century!

The president's economic package passed only after a promise was secured for further spending cuts later in the year. In September, 30 Republicans and Democrats formed the Penny-Kasich Task Force to develop a plan to cut spending now—not somewhere in the future.

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Prevailing Gridlock

Members of the Penny-Kasich Task Force were bound by something stronger than party affiliation—a desire to achieve true spending restraint.

On the evening of October 26, the task force members gathered to reach a consensus on a final package. What happened that evening was significant and probably unprecedented. Republicans and Democrats working together agreed on over 80 specific proposals to cut spending. Overall, the Penny-Kasich plan amounted to cutting a penny on a dollar over five years. None on the task force would claim that all the cuts were easy—but the cuts were spread to all corners of the federal budget. The task force agreed to swallow some tough medicine.

Rep. Tim Penny (D-Minn.)

Among the most significant features of the plan were the following:

It would have achieved more than $90 billion in real spending cuts over the next five years, including about $45 billion in the most serious budget problem—entitlements.

It would have reduced the federal workforce by 252,000, as the president

While Congress as a whole failed this litmus test on whether or not it's serious about cutting spending and reducing the deficit, the vote on Penny-Kasich outlined which Members of Congress are a part of the problem and which are a part of the solution.

Rep. John Kasich (R-Ohio)

has proposed.

It would have adjusted the budget enforcement provisions to lock in all the savings for deficit reduction, not for higher spending.

Plans Growing Momentum for Surprise Opponents

Our plan surprised the Clinton administration and the House leadership because Penny-Kasich quickly gained momentum and had a genuine chance of passing. However, several factors of the plan's success were cause for worry to the Washington political elite.

First, Penny-Kasich was bipartisan. It reflected the views of members from both political parties. Second, it was credible and specific. Unlike alternative proposals—such as the across-the-board freezes or spending caps—the Penny-Kasich plan detailed where and how its spending cuts would occur. Third, a bipartisan group in the U.S. Senate, led by Senators Bob Kerrey (D-Neb.) and Hank Brown (R-Col.) developed a companion bill similar to Penny-Kasich. The Senate will take up its spending reduction measure early next year.

Opponents Show Their True Colors: They Want to Keep Spending

As Penny-Kasich gained momentum the White House and House leadership implemented a full-court press against our plan.

While the president was calling members to urge their support of NAFTA, he often threw in a pitch against Penny-Kasich. Hillary Rodham Clinton met with Democratic House freshmen and urged them to oppose our spending cuts. Cabinet members and Pentagon officials publicly voiced their opposition to Penny-Kasich. Appropriation subcommittee chairmen and ranking minority members went as far as to send out letters to members threatening to cancel projects in their districts if they voted for the Penny-Kasich plan. None of the projects mentioned in those letters were a part of the Penny-Kasich plan.

Interest groups joined the fight, flooding the Capitol switchboard with calls against Penny-Kasich. The real driving force behind our critics' opposition was evident in a view expressed by House Speaker Thomas Foley. He complained that Penny-Kasich directed all of its savings to deficit reduction, leaving nothing for new spending initiatives. Mr. Foley was right; that's exactly what we intended. His point illustrates exactly why we have a $200 billion-a-year deficit—Congress always finds ways to spend what it cuts.

In Failing There's Hope

The good news in the fight for Penny-Kasich is that despite the threats and intimidation, the plan almost passed. It came close, in large part, because of the newest Members of Congress. When the dust settled, 57 Democrats and 156 Republicans voted for Penny-Kasich. Eighty percent of the Democrats who supported Penny-Kasich had been in office for less than five years. On the Republican side, 43 of 48 fresh-men members voted to support our plan.

While Congress as a whole clearly failed this litmus test on whether or not it's serious about cutting spending and reducing the deficit, the vote on Penny-Kasich outlined which Members of Congress are a part of the problem and which are a part of the solution.

The views expressed in Front & Center are not necessarily those of the Tax Foundation.

VIEWPOINT

Toward Social Engineering in the Tax Code

The following is excerpted from Charles Corry's address at the Tax Foundation Annual Dinner, November 17:

When I began working, it was pretty well established what constituted gain or profit and what the costs were in computing taxable income. The costs of an enterprise were essentially subtracted from its revenue and the balance was taxed. Pretty basic.

Some time ago, however, we began to get away from the concept of taxing net income by disallowing or limiting business expense deductions. This departure was encouraged in 1986 and has been fueled in later legislation, the most recent thrust coming from the Omnibus Budget Reconciliation Act of 1993 (OBRA'93).

By far the most pervasive change in the concept of taxing net income came in 1986 with the establishment of a completely separate alternative minimum tax (AMT) system. Remember, Congress was bothered by the fact that companies were reporting income to shareholders and were not paying income tax. Instead of working to bring the concepts of financial income and taxable income closer together, or stopping the transfer of credits and losses, Congress decided instead to tax the deductions which prevented companies from paying taxes—by imposing the AMT.

And they fixed it good. Now we have companies reporting losses to shareholders and paying taxes. But that doesn't seem to bother Congress as much as the reverse.

When the AMT was enacted, I don't think Congress anticipated the perverse impact the AMT would have on the cost of capital for marginally profitable, capital intensive companies. Many low-profit, capital-intensive companies find themselves permanently in the AMT.

To have any meaningful competitive effect, we must do away with the AMT or make significant changes to the capital cost recovery provisions of it.

Also in 1986, we departed further from taxing income by partially limiting deductible meal expenses. More recently in OBRA'93, several former "ordinary and necessary" deductions were limited or eliminated, driven by revenue needs but also advocated on "political correctness" and social engineering grounds.

So the government has put itself in the business of corporate governance and has decided what are "good" business expenses and what are "bad" business expenses. Consider the following examples:

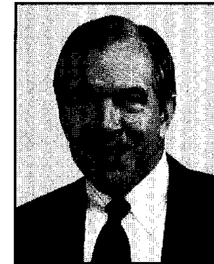
We used to say that taxation without representation is tyranny. Now we have found that taxation with representation isn't so good either.

Deductible meals drop from 80 percent to 30 percent. Once justified under a "Three Martini Lunch" attack, this provision doesn't distinguish between cocktails at the Waldorf or a burger at a truck stop.

Another bad business expense now is lobbying, for which no deduction is allowed. And, beginning in 1994, a publicly held corporation cannot deduct compensation paid in excess of $1 million for the chief executive officer and the other four highest compensated officers. There are several complex exceptions to this limitation.

Of course, I suppose it's hard to generate a lot of sympathy from many people on this subject. But it's another example of how the administration and Congress want to get into the business of running corporations.

This particular social engineering attempt is especially improper in that it only applies to publicly held corporations. Why should a private corporation, a law firm, or an investment banking firm that is organized as a partnership be exempt, while a competing public corporation is subject to the limitation?



Charles A. Corry
Chairman and Chief Executive Officer
USX Corporation

And, it doesn't apply to some of the most outlandish compensation. Apparently, Congress believes there is more social worth in the occupation of the young man who plays a game for a living for the entertainment of sports fans, than in the job of a corporate CEO responsible for the employment of thousands, the payment of benefits to thousands more retirees, the payment of hundreds of millions in taxes, and the production of billions of dollars of useful products.

We used to say that taxation without representation is tyranny. Now we have found that taxation with representation isn't so good either.

To conclude, let me say that today American businesses are locked in a serious struggle with competing businesses from around the world. We must be certain that our tax system does not disadvantage our businesses in this economic contest.

Common sense is urgently needed in taxation. If we are to retain the income tax system, we must return to the taxation of income, and get rid of the AMT and these notions of politically correct and incorrect expenses.

The views expressed in Viewpoint are not necessarily those of the Tax Foundation.

Conference

Continued from Page 1

because, in Mr. Weinberger's words, "We can get no more significant revenue from the income tax."

Many speakers called for replacing the current income tax system with a flat rate subtraction-method business transfer tax. Several warned that a value-added tax, if adopted, would be no less complicated or burdensome than the current income tax system. Indeed, no country to date has instituted a VAT in place of an income tax—VATs were simply placed on top of other taxes.

Mr. Reischauer and Mr. Miller, panelists in a morning session, both suggested that a primary cause of the deficit is the institutional arrangements in Washington—which give Congress and the federal agencies greater incentives to spend than to save. Mr. Miller proposed term limits on Congress and a balanced budget amendment to change these incentives. These suggestions were greeted skeptically by Mr. Reischauer, who argued that term limits would give legislators incentives to curry favor with prospective employers, while a balanced budget amendment would encourage legislators to increase federal mandates and regulation to accomplish their objectives—thus throwing the burden of expense on the shoulders of state and city officials.

At the Tax Foundation's 56th Annual Dinner that evening, Rep. Sam Gibbons (D-Fla.), Vice Chairman of the House Ways & Means Committee, and Chuck Corry, Chairman and Chief Executive Officer of USX Corporation, were awarded Distinguished Service Awards.

Because the dinner was scheduled for the same day as the House vote on the North American Free Trade Agreement, Mr. Gibbons could not attend the function. But he was able to call from his Capitol Hill office and speak to the audience by phone, during which time he discussed the merits of an alternative tax proposal he has submitted.

Mr. Corry addressed the issue of tax fairness, and challenged the economic and political wisdom of using the tax code for social engineering (see "Viewpoint," page 6).

FOUNDATION MESSAGE

Taking the TF Model to Russia, Kazakhstan

As I depart the Tax Foundation to take over as president of our newly launched International Tax and Investment Center, I'm struck by how much the Foundation has been able to accomplish over the past four years. We took an organization that was becoming somewhat "old and rusty," and managed to streamline and reprioritize and place the group back on sound footing—without damaging its well-earned reputation for detailed, objective analysis.

Much of the credit for this is due, of course, to the excellent leadership of our Program Committee and Policy Council, and to our hard-working staff of economists. But we also need to recognize the importance of having an organizational model that's worked for over half a century.

Dan Witt
Former Executive Director

In fact, the Tax Foundation model has been so successful that over the years it's spawned offshoots in states around the country. When the Foundation was founded in 1937, there was no other group of independent researchers providing objective information on the public sector. Policymakers and private sector leaders alike clamored for our research and our analyses, and have continued throughout the years to use our materials regularly. This year, Foundation analyses have already been cited in nearly 3,000 newspaper clips, as sure a sign as any of the group's established credibility.

Now the International Tax and Investment Center will attempt to replicate this model in Russia and Kazakhstan, and other countries as the opportunities arise. The citizens of those societies have never known economic or political freedom, and indeed have been taught all their lives to resist it. Now we have an opportunity to change all that. This new version of the Foundation has the chance to contribute to a mutual trust and understanding between government officials in those countries and private sector leaders. To this extent, the Center will serve as a clearinghouse for tax policy information. We plan to translate and disseminate laws, rulings, and interpretations which we'll receive directly from government sources. We also will hold regular meetings with policymakers, providing us direct policy input.

The Center's primary objective is to create a new tax system that encourages saving and foreign and domestic investment. Nothing is more critical to the future of the former Soviet republics and their nascent private economies. Yet as Alfred DeCrane, Chairman of Texaco, has pointed out, "Unstable and unreasonable taxes are one of the primary reasons why Western firms aren't investing in the former Soviet Union." Until public officials and citizens alike recognize the delicate nature of economic growth, and the importance of stable, neutral, simple taxation, these societies will continue to see turmoil. We want to help change that—to create an investment climate more attractive to Western investors, one that will result in an era of freedom, prosperity, and political stability .

It's a great opportunity we have, made possible by the Tax Foundation's founders and visionary leaders.

Visiting Professors Examine Impact of Tax Reform on Foreign Acquisitions

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James Q. Riordan

Co-Chairman and Distinguished Fellow
The Honorable Bill Frenzel

Executive Director and Chief Economist
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Adjunct Fellow
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Senior Economist
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Economist
Chris R. Edwards

Economist
Patrick Fleenor

Special Events
Michelle Rubin

Editor and Communications Director
Stephen Gold

Tax Foundation
(202) 783-2760

Two Ernst & Young Visiting Professors recently completed a study of whether or not the Tax Reform Act of 1986 (TRA '86) encouraged acquisitions of U.S. companies by foreign investors. Their report, "Taxes and Foreign Acquisitions in the United States," concludes that in fact the law did not significantly enhance the competitive advantage of foreign firms in the U.S. acquisition market, considering that the tax advantages realized after such acquisitions were very small when compared to the size of the actual purchases.

Professors Julie Collins and Douglas A. Shackelford, both of the University of North Carolina's Kenan-Flagler Business School, examined the viewpoint—maintained in recent tax literature—that the changes brought about in 1986 provided a competitive advantage to foreign investors from worldwide tax jurisdictions, principally the United Kingdom and Japan, relative to other foreign and U.S. corporate investors.

(While those countries that maintain more nearly a "territorial tax system," such as France and Germany, exempt most income earned in the U.S. from their taxes, those that rely on a "worldwide tax system," such as the U.K. and Japan, tax their residents on worldwide income. Businesses from the latter can mitigate the post-1986 increase in corporate tax burden with a reduction in repatriation taxes.)

Proponents of this hypothesis point to the surge in Japanese- and British-based acquisitions in the U.S. between 1987 and 1990. Yet prior research on the issue has produced mixed evidence concerning a possible link between the passage of TRA '86 and a sharp subsequent rise in foreign investment. Following up on that research, Professors Collins and Shackelford examined tax returns filed by firms acquired by British and Japanese investors after 1986, and saw little overall benefit. "The magnitude of the tax benefits are quite small when compared to the acquisition price," they write, which in turn indicates that the tax changes did not significantly enhance the competitive advantage of foreign firms in the U.S. acquisition market.

Fourth European Tax Conference Scheduled

Over a dozen top congressional staff will spend the week of January 5 through 12 meeting with U.S. and European tax experts from the public and private sectors, at the Tax Foundation Foundation's Fourth Annual U.S.-European International Taxation Conference, which includes meetings and seminars in three locations—London, Paris, and Frankfurt.

Staffers from the House Ways and Means Committee and Senate Finance Committee will have an opportunity to discuss various tax policy issues, including health care financing, both with U.S. executives based overseas and with European executives, as well as with government officials from the European Community.

Corporate sponsors of the conference include BASF Corporation, Citicorp/Citibank, EDS, Glaxo, Inc., Grand Metropolitan, Inc., Hewlett-Packard Company, Nestlé, Rhone-Poulenc Inc., 3M Company, Unilever United States, Inc., and Miller and Chevalier Chartered.

Tax Foundation
1250 H Street, NW
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Washington, DC 20005-3908

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