# Repatriation CP Neg

Important note when running this counterplan: Repatriation is *different* from the repatriation *tax.* Repatriation is bringing money back to the US, and the repatriation tax is the tax on this process. Make sure that this distinction is understood.

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## 1NC Shell

#### Text: The United States Federal Government should repeal the repatriation tax.

#### **Repatriation tax repeal generates jobs – study proves**

Laura D’Andrea Tyson, Kenneth Serwin, and Eric J. Drabkin, Ph. D in economics from MIT, Fall 2011, “The Benefits for the U. S. Economy of a Temporary Tax Reduction on the Repatriation of Foreign Subsidiary Earning,” BRG Working PapersUnder these conditions, there is a strong economic case for additional fiscal measures to boost private sector spending. A temporary reduction in the corporate tax rate on repatriations of foreign subsidiary earnings by U.S. MNCs has been proposed as one such measure. Based on the analysis and estimates in this paper, it is likely that such a policy would provide a significant boost to investment spending, consumption spending and job creation. Our analysis indicates that even if a large proportion of the repatriated cash is distributed to shareholders in the form of dividend payments or share repurchases, there will be a significant increase in private spending and economic activity. We also show that if capital-constrained MNCs use some of the funds they repatriate for new investment activities there will be sizable increases in output and employment. This latter finding is consistent with that of Sinai (2008) who uses a large-scale structural macroeconomic model to estimate the impact of incremental corporate cash flow from repatriation on economic activity. According to his model, an increase in repatriated cash triggered by a lowering of the tax rate would generate significant additional investment, employment, GDP growth, and consumption in the United States. In addition to the positive macroeconomic effects from the use of repatriated cash, either by the firms themselves or by their shareholders, the reduction in the tax rate on repatriated foreign subsidiary earnings would generate significant and immediate tax revenues at a time when the federal budget is under severe pressure. These revenues – including both the corporate taxes paid on the repatriated cash and any dividend and/or capital gains taxes paid by shareholders on the amounts returned to them – could be used to finance additional job-creating measures such as payroll tax cuts for employers and employees or additional infrastructure investment. It is also likely that the increases in business activity, employment and spending we anticipate from a significant increase in repatriations in response to a temporary tax reduction will boost business and consumer confidence. As a result of the deepest recession in postwar history and an anemic economic recovery with high unemployment, confidence is currently hovering near record lows. Many economists believe that low confidence is itself contributing to the economy’s weakness. For example, in a recent report Mark Zandi warned that sometimes “sentiment can be so harmed that businesses, consumers and investors freeze up, turning a gloomy outlook into a self-fulfilling prophecy. This is one of those times.”

#### **Repealing repatriation tax is the key to fixing the economy – only option left**

Douglas Holtz-Eakin, professor at Princeton and Columbia, 12-1-2011, “Unlikely Bedfellows Agree: The Time is Right to Bring the Money Home Now,” WIN America

Thank you very much operator, and thank you everyone for joining us today. Andy Stern will also be on the call, and I will turn it over to him when I’m done. Just wanted to take a moment to just review where we stand on the issue of repatriation in the U.S. There is now substantial evidence undertaking around repatriation could have substantial economic benefits. We saw after the 2004 episode, substantial growth in 2005 in both GDP and jobs. Laura Tyson has recently done a study on benefits of repatriation; I did a study for the Chamber of Commerce. If you look at those broadly, they say that there is roughly a $1 trillion in U.S. earnings that could come back to help the U.S. economy. This would show up in the form of something in the order of a couple of million new jobs and $300 billion in additional GDP. Certainly those would be a badly needed shot in the arm, especially at a time when we face considerable downside risks from the shocks coming out of Europe and the disclose in the Eurozone. In terms of undertaking such a policy, it is from a budgetary view relatively cheap. Repatriation would actually raise about $30 billion in the first three years. The Joint Committee has estimated that in over ten years it would lose $80 billion. It is important to point out that there is a lot of question with whether that’s true. There’s a nice study by Rob Shapiro which suggests that that’s an overestimate of revenue loss; might even break even or raise revenue. If I look at the $150 billion involved in the pay roll tax holiday versus the $80 billion for getting $1 trillion of U.S. private sector money into our economy, it just looks like a much higher valued policy. Now, one of the arguments against doing this is that we can just do this with tax reform, but I think it is pretty obvious to anyone who has surveyed Congress, that we aren’t going to see tax reform in 2012, and waiting till 2013 seems extremely unwise given the quality of growth in the U.S. at the moment. So we have got a policy that has substantial benefits, relatively modest budget cost if any, isn’t trounced by other policy priorities – at least in my view – and it actually has bipartisan support. We got a bill in the House, the Brady bill with cosponsors on both sides of the aisle. In the Senate, we have the Hagan-McCain bill – same story. And so we have the opportunity in this Congress given all its political divisions, to do something that’s substantial beneficial to the quality of economic growth, supported by both sides of the aisle. And the only problem we have is that time is running out.

## A2: Status-Quo Solves

#### **Obama’s plan is not comprehensive enough**

John Giokaris, Bachelor in Political Science and Journalism, 3-19-2012, “Tax Reform is the Key to Economic Recovery and Bipartisan Cooperation,” Policymic

All the 2012 presidential candidates are aware of this and have now released their plans to reform the corporate tax code in accordance with pro-growth policy. Obama has introduced a corporate tax reform package that would lower the rate from 35% to 28%, in addition to closing loopholes and some subsidies. But his package is still saturated with special interest toss outs like granting manufacturing businesses an extra 3% cut in their corporate tax rate as well as continuing to subsidize green energy companies. He also doesn’t cut any spending and proposes to pay for it all by passing yet another tax hike – the “millionaire tax.” Mitt Romney, however, has a corporate tax reform package that is more even and fair for all businesses and individuals. He lowers the corporate tax rate from 35% to 25% across the board and eliminates all loopholes and subsidies. He also cuts everyone’s income tax rates by 20% (which we’ll explore more in depth in the 2nd part of this series), and best of all, pays for all of it by returning levels of federal spending to 20% of GDP (the historical average throughout the 20th century) by 2016. Rick Santorum, Ron Paul, and Newt Gingrich have introduced their corporate tax reform proposals as well, seeking to lower the rate from 35% to 17.5%, 15%, and 12.5%, respectively. How they expect to craft a realistic, practical path to implementing cuts that deep outside of a supermajority Republican Congress is beyond me. But pro-growth tax reform comes with several challenges for all parties. Whenever there is talk of closing tax loopholes and eliminating subsidies, Washington is barraged by an army of lobbyists and attorneys seeking to keep these very things in place.

## **A2: Repatriation Unpopular**

#### Repatriation is an opportunity for bipartisan cooperation

John Giokaris, Bachelor in Political Science and Journalism, 3-19-2012, “Tax Reform is the Key to Economic Recovery and Bipartisan Cooperation,” Policymic

However, there is one area that provides a golden opportunity for bipartisan cooperation between the parties and would restore confidence, certainty, and optimism in our economy: pro-growth tax reform. Pro-growth tax reform, as illustrated in the bipartisan 1986 Tax Reform Act, closes loopholes that allow for overseas tax shelters as well as special interest subsidies in order to collect on revenue more efficiently while cutting tax rates across the board at the same time to incentivize businesses to keep money and jobs here instead of overseas, thus broadening the tax base.¶ Our corporate tax code is a mess. Our 35% rate (39.2% when including state and local taxes) puts us at the top of the list for highest in the world, leaving us with a huge disadvantage competitively in the age of outsourcing and globalization. At the same time, our corporate tax code is riddled with loopholes and special interest subsidies, making the revenue we collect on our corporate taxes far less than where the rate is set. In other words, we’re not incentivizing global businesses to keep jobs and money here, while those who do lobby Washington for corporate tax exemptions

#### Repatriation is popular with congress – pushing tax holidays

Dan Froomkin, Senior Washington Correspondent, 10-13-2011, “Repatriation Tax Holiday Push Shows Congress Turning Deaf Ear To Occupy Wall Street,” The Huffington Post

In an iconic example of how Congress puts big-money interests above others, bipartisan momentum is growing on Capitol Hill for a repatriation tax holiday -- a huge, temporary reduction in the tax rate on money brought back to the U.S. from offshore tax havens….Sens. John McCain (R-Ariz.) and Kay Hagan (D-N.C.) last week introduced a bill to lower the repatriation tax rate from 35 percent to under 9 percent for one year.¶ A similar bill has already been introduced in the House. Republican leaders have expressed enthusiasm for the idea, and Senate Majority Leader Harry Reid (D-Nev.) has indicated that he could support it as part of broader jobs legislation. Sen. Chuck Schumer (D-N.Y.) has been actively lobbying fellow Democrats to support the holiday as part of a deal that would use the short-term boost in tax receipts to fund a job-creating infrastructure bank.

#### There is massive bipartisan support – Tax reforms happened before

John Giokaris, Bachelor in Political Science and Journalism, 3-19-2012, “Tax Reform is the Key to Economic Recovery and Bipartisan Cooperation,” Policymic

Both parties are aware of this which is why several members of both parties understand that pro-growth tax reform is the only way to solve the problems inherent in our current tax code. Thirty-six Democrat, Republican, and Independent senators, 100 Republican and Democrat congressmen, the bipartisan “Gang of Six” plan, and the president’s own Simpson-Bowles debt commission have all come out in strong support of pro-growth tax reform. It has more support among both parties than any other tax reform proposal, including raising tax rates on wage earners and employers even higher…There has to be enough politicians on both sides of the aisle willing to ignore these efforts and follow through on closing them. It’s not impossible. We did it in 1986, which led to 20 years of prosperity for America, and we can do it again if there are enough public officials willing to do what’s right for the country and put aside partisan politics.

## A2: Tax Reforms Not Key To Economy

#### Repealing repatriation tax is the only opportunity for economic increase now – running out of time

WIN America, 12-8-2011, “Reform is the Goal: Repatriation Gets Us There,” WIN America

Congressional leaders have the opportunity in the weeks ahead to do something that is substantially beneficial to the quality of economic growth and supported by both sides of the aisle. As members of WIN America explained in their letter last month, it has become painfully clear that additional steps are needed to promote investment, innovation, and competition in America’s faltering economy. The problem we have is that time is running out. Repatriation is one of the few bipartisan solutions we have left to jumpstart our still struggling economy. More than $1,000,000,000,000 in worldwide American businesses’ global earnings sits trapped in overseas banks as the result of our broken tax system. We want to emphasize in the clearest terms possible that every member of WIN America is firmly committed to working with Congress – now and next year – to enact comprehensive tax reform. We believe it is absolutely essential to fix what is universally viewed as a broken system. But those who criticize repatriation as an impediment to long term tax reform are mistaken. We view this bipartisan approach as a critical bridge toward reform, and pledge our full support in efforts to make our tax code more efficient for U.S. companies to compete in the growing global market. As leaders of America’s most innovative, high-growth companies, we are committed to keeping our country strong, vital, and competitive in the global marketplace. Repatriation can help set the stage to accomplish this important priority.

#### Tax reforms rebuilds the economy – decreases deficit and increases jobs

Adrian Smith, Representative of Nebraska, 12-9-2011, “Comprehensive Tax Reform Key To Rebuilding Our Economy,” http://adriansmith.house.gov/comprehensive-tax-reform-key-rebuilding-our-economy

The November jobs report, which showed nearly twice as many Americans dropped out of the labor force than found work, underscored the deep and systemic problems still affecting the economy. One of those areas is our outdated tax code. Over the years, it has grown too complicated and cumbersome, and it is fundamentally unfair. There are many drivers of our sluggish economy, but we never will recover the jobs lost during the recession unless we undertake comprehensive tax reform. To simplify the tax code and grow our economy, we should eliminate tax preferences and reduce the overall tax rate for businesses and individuals, including small business owners. Doing so would make the tax code flatter, fairer, and simpler. Commonsense changes to the tax code will lessen the burden on families, ensure everyone pays their fair share, and create jobs by making America more competitive. The resulting economic expansion also would help us address our massive debt, which recently exceeded $15 trillion. With businesses growing and more Americans earning a paycheck, tax revenues would increase the long term. Comprehensive tax reform also would provide Nebraska families and businesses with certainty. The number of short-term provisions which are adjusted year-to-year has skyrocketed, making long-term planning almost impossible. More than 200 federal tax provisions are scheduled to expire between 2010 and 2020, whereas in 1998 there were only 50 such expiring provisions. An example of this is the current estate tax, which will jump to 55 percent in 2013. This tax disproportionately affects small businesses and producers, and the additional uncertainty puts the next generation of Nebraska business owners, family farms, and entrepreneurs at a further disadvantage. Making short-term fixes in exchange for long-term flawed policy is not tax reform, nor is it acceptable to continue down the path of adding carve-outs and loopholes. History has shown broadening the base while reducing rates spurs the economy since these policies put taxpayers first - not the government. Tax reforms passed by Presidents Kennedy and Reagan were some of the most sweeping reforms in American history and were significant drivers of economic growth. Independent economists estimate, when coupled with reduced federal spending, comprehensive tax reform could lead to the creation of 1 million jobs in the first year alone.

#### Tax reform leads to economic growth – entrepreneurship

Scott A. Hodge, Degree in political science from the University of Illinois, 9-14-2011, “Tax Reform: The Key to a Growing Economy and Higher Living Standards for All Americans,” The Tax Foundation

Cutting the U.S. corporate tax rate will help put the country on a long-term growth path. Economists at the OECD determined that the "corporate income tax is the most harmful tax for long-term economic growth" (emphasis added), not only because it increases the cost of domestic investment, but also because capital is the most mobile factor in the global economy, and thus the most sensitive to high tax rates.¶ Indeed, the report found that "Corporate income taxes appear to have a particularly negative impact on GDP per capita." Lowering statutory corporate tax rates, they determined, "can lead to particularly large productivity gains in firms that are dynamic and profitable, i.e. those that can make the largest contribution to GDP growth." OECD economists speculate that this could be because these are the firms that rely most heavily on retained earnings to finances their growth. Higher taxes mean fewer retained earnings, which means less growth. Cutting the corporate tax rate will lead to higher wages and living standards. In a world in which capital is extremely mobile but workers are not, most studies find that workers bear 45 percent to 75 percent of the economic burden of corporate taxes. In one such study, an economist at the Federal Reserve Bank of Kansas City used cross-country data to study the effect of corporate taxes and their interaction on the gross wages of workers. She found that "labor's burden is more than four times the magnitude of the corporate tax revenue collected in the U.S." According to her model, a one percentage point increase in the average corporate tax rate decreases annual gross wages by 0.9 percent. Translated to U.S. corporate tax collections and wages, this means that a $10.4 billion increase in corporate tax collections would lower overall wages by $43.5 billion. The overwhelming body of economic evidence suggests that cutting the U.S. corporate tax rate will benefit U.S. workers through higher wages, which translate into higher living standards. Cutting the corporate tax rate will boost entrepreneurship, investment and productivity. Studies show that the corporate income tax hinders entrepreneurship, risk, and investment. Indeed, a study by Jens Arnold and Cyrille Schwellnus supports the notion that corporate taxes are "success taxes" which "fall disproportionately on firms that are contributing positively to aggregate productivity growth." Perhaps a worrisome sign for the U.S., they found that firms in relatively profitable industries "have disproportionately lower productivity growth rates in countries with high statutory corporate tax rates." The corporate tax has the biggest impact on firms that are on the way up as opposed to those that have plateaued or are on the way down. In other words, companies that are "in the process of catching up with the technological frontier are particularly affected by corporate taxes." A key factor for the health of the overall economy is the extent in which investment leads to new technology which, in turn, improves productivity. But, "high corporate taxes may reduce incentives for productivity-enhancing innovations by reducing their post-tax returns." Thus, if U.S. lawmakers want to increase the amount of innovation in the country, a good first step would be to cut the corporate tax rate.

## A2: Repatriation Repeal Bad

#### Repealing repatriation tax creates jobs and solves the economy

Giacomo Bologna, Staff Reporter for The Michigan Daily, 2-24-2012, “Romney talks Obama, policy at Ford Field speech,” The Michigan Daily

“What workers in Michigan and around the country really want is a good job and rising wages,” Romney said. “Reforming the tax code is in my view on of the surest and quickest ways to achieve that kind of goal. Romney used Ford Motor Co. as an example of a business that is negatively impacted by the repatriation tax. Currently, any profits that Ford makes in China are taxed by the repatriation if they are spent in the U.S., but are not subject to taxes if they remain outside of the country, Romney said. “I’m going to end the job-killing repatriation tax so American companies who do business overseas can go bring their profits back home and reinvest them here.”

#### Repatriation tax repeal leads to economic growth

Jillian Berman, Staff Writer, 3-19-2012, “Apple Not Bringing Overseas Cash Back Home, Blames U.S. Tax Policy,” The Huffington Post

Apple has a bone to pick with the U.S. and its tax laws.¶ Apple's CFO Peter Oppenheimer slammed U.S. tax policy on overseas profits as part of a [highly anticipated announcement Monday](http://www.huffingtonpost.com/2012/03/19/apple-announces-plans-for-cash_n_1362212.html?ref=business) detailing Apple's plans to spend nearly half of the $100 billion in cash. He added that the company doesn’t have plans to repatriate any of its money parked overseas.¶ "Repatriating cash from overseas would result in significant tax consequences under U.S. law," [Oppenheimer said on a conference call with analysts](http://www.huffingtonpost.com/2012/03/19/apple-announces-plans-for-cash_n_1362212.html?ref=business). "We have expressed our views to Congress and the administration. We think current tax laws provide significant disincentive to U.S. companies that would otherwise repatriate the significant cash they have on hand."¶ A coalition led by Apple, Google and other major technology companies last year hired an [army of lobbyists to push for a tax holiday on their overseas profits](http://www.bloomberg.com/news/2011-09-29/google-joins-apple-mobilizing-lobbyists-to-push-for-tax-holiday-on-profits.html), which total more than $1 trillion, according to a September Bloomberg report. Apple currently pays an [international tax rate of less than 3 percent](http://blogs.wsj.com/digits/2012/03/19/live-blog-apple-announces-cash-plans/), according to data from Bernstein Research cited by the *Wall Street Journal*, while most large companies pay an international tax rate of between 13 and 25 percent.¶ If Apple ever did repatriate its foreign profits, the company would indeed have a big bill to pay: about two-thirds of the Apple's money is currently parked overseas, [according to the *WSJ*](http://blogs.wsj.com/digits/2012/03/19/live-blog-apple-announces-cash-plans/).¶ Many major U.S.-based multinational corporations have pressed for a repatriation tax holiday in recent years, arguing that if they were given a tax break on the money they make overseas they would invest and create jobs back home.

#### **Repatriation tax repeal causes job increase**

Investopedia, 8-29-2006, “What is the purpose of a "repatriated tax break", and why is it so controversial?,” <http://www.investopedia.com/ask/answers/06/repatriatedtax> break.asp#axzz217OFjZTT

In 2004, Congress passed the American Jobs Creation Act to create new jobs in an effort to boost the economy. One of the results of the act was the implementation of a repatriated tax break, which gave U.S. multinational corporations a one-time tax break on money earned in foreign countries.¶ The tax break allows foreign earnings to be taxed at a rate of 5.25%, which is significantly lower than the usual corporate tax rate of 35%. Previously, much of the earnings derived from foreign countries were not transferred back to the U.S. because multinationals can defer paying taxes on foreign earnings until they decided to send the earnings back in the form of a dividend.¶ Ultimately, the government's rationale is that the tax break would act as a good incentive for American multinationals to send their foreign earnings back to the U.S., and then use the earnings to create more American jobs and/or expand operations in the U.S.