

 **TODAY'S "SHORT TOPIC"**
**SO, YOU WANT
TO REPATRIATE
FOREIGN EARNINGS?
– What then? That's
when the fight begins!**



By Stephen L. Bakke  November 7, 2014

Here's what provoked me:

Hey SB! – Have you looked at the problems caused by corporations “hoarding” cash overseas? These funds represent the after-tax foreign profits that will then be re-taxed if distributed in the U.S. The U.S. government, in its wisdom has created a counterproductive incentive, all in the name of controlling “those pesky, greedy, and heartless” corporations. I think this is one of the most important differences between conservatives and progressives. They come from different planets on this one! If you don't jump on this I will! But right now I have a bad cold and have to head back home from my office and have some “medicinal” brandy. – Stefano Bachovich – obscure curmudgeon and wise political pundit – a prolific purveyor of opinions on just about everything – my primary “go to guy.”

Here's my response:

So, you want to repatriate foreign earnings? – What then? That's when the fight begins!

On 11-2 you printed a report on Minnesota companies holding foreign based earnings overseas – “State's firms stash billions overseas – foreign profits sit on sidelines as companies seek tax reform,” by Jim Spenser. Spenser's excellent report points out several facts, as well as contentions made by international corporations. For example:

- The U.S. has the highest corporate tax rate in the developed world – 35%.
- The rate has caused companies to keep their foreign income outside of the U.S.
- Corporations want tax reform so they can bring funds home without paying oppressive taxes.
- If these funds are distributed in the U.S., the previously taxed profits will be subject, net of foreign tax credits, to the 35% tax rate.
- Keeping profits outside of the U.S. has decreased the rate of domestic investment, and thereby, decreased the rate of economic growth and employment in the U.S.
- It's estimated that more than \$2 trillion is being kept outside the U.S.

Could it be that I've found some common ground between the Democrats and the Republicans? Yes! **They both want these funds repatriated to the U.S.** – but that's where agreement ends. In this single issue we witness a basic difference between the two parties.

Democrats want to tax these profits so **the government** can decide how to spend the funds. Republicans want these funds treated favorably in the tax code so corporations can distribute the funds as dividends, debt repayment, capital projects, and R & D. Which approach do you prefer?