

TODAY'S "SHORT TOPIC"

A CHOICE: LET THE GOVERNMENT DO IT OR GIVE PRIVATE ENTERPRISE THE OPPORTUNITY.



By Stephen L. Bakke  February 3, 2015

Here's what provoked me:

An article announcing the President's intention to levy a "one-time" tax on foreign earnings, without regard to whether these funds have been brought back into jurisdiction of the U.S. government taxing authorities. It's a "money grab" intended to punish multinational U.S. companies for prudently managing their companies' resources - specifically those resources that have been earned outside of U.S. borders and without U.S. customers footing the bill. One could argue that the jurisdictions where these earnings reside deserve the benefits of what these funds can do.

Here's my response:

A Choice: Let the Government Do It or Give Private Enterprise the Opportunity

An article by Jim Spencer on February 3 announced the President's proposal to impose a onetime, 14 percent tax on foreign earnings that have not been repatriated - i.e. they have been retained outside the U.S. The reason the funds remain outside the U.S. is the very high U.S. corporate tax rate, when compared to most of the industrialized world. This results in U.S. corporations choosing, quite rationally, to maximize their advantage by investing foreign resources in more "business friendly" foreign countries.

You will hear about the "egregious" actions being taken by corporations to "stash" these funds in foreign jurisdictions. That's a grossly uninformed statement. All these companies are doing is responding naturally and predictably to incentives presented by our tax codes. Because of tax rates, companies find better returns available by retaining these funds in other countries, and they leave those funds there.

This gives rise to an opportunity to make a choice. Should the U.S. borrow from the future to increase current tax revenues by this onetime "tax grab," and entrust spending choices for this huge amount of money to the "wisdom" of the federal government. Or, should we make the modest choices necessary to encourage corporations to repatriate foreign earnings to the U.S. and let powerful market forces direct the investment of these funds.

There's probably no totally predictable choice. I'm picking American business and market forces. You make your own choice.