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Senate Finance Committee chairman, Democratic members: Framework on overhauling U.S. international taxation

Senate Finance Committee Chairman Ron Wyden (D-OR) and Democratic members of the committee Senators Sherrod Brown (D-OH) and Mark Warner (D-VA) today released a framework that proposes changes to the U.S. international tax system.

The framework—***Overhauling International Taxation*** [PDF 676 KB]—proposes:

- To reform the global intangible low-taxed income (GILTI) system by ending the incentive to offshore factories, increasing the GILTI rate, moving GILTI to a country-by-country system, and adding an incentive to onshore research and management jobs

- To repair the foreign-derived intangible income (FDII) system by repealing the incentive for offshore factories, by providing the FDII benefit to companies that continually invest in innovation in the United States, and by equalizing FDII and GILTI rates

- To reform the base erosion and anti-abuse tax (BEAT) system to capture more revenue from companies eroding the U.S. tax base, and to "use that revenue to support companies that are actually investing in America" by providing full value to domestic business tax credit and to increase the BEAT rate on base erosion payments

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There is a long way to go before actual legislative action, but the Democratic vision for a revised international tax system is slowly coming into focus. Finance Chairman Wyden's proposal has meaningful differences from President Biden's proposals, but both appear to be moving in the same direction. Both would aim to tilt the investment playing field towards the United States by means of higher taxes on earnings outside the United States along with closing the gap between domestic and foreign tax rates.

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