Press Release

Ending the Lockout Of Overseas Earnings Could Add $440 Billion To U.S. Economy

MARISOL GARIBAY | AUGUST 7, 2013

The U.S. corporate tax code locks trillions of dollars out of the United States. Bringing these funds back as part of a major tax overhaul would benefit U.S. economic growth and jobs. Estimates from a repatriation analysis by the American Action Forum (@AAF) suggest an additional $440 billion in GDP.

A temporary tax holiday on foreign earnings would create 3.5 million jobs in the U.S. and lead businesses to bring $1.4 trillion in foreign profits to the United States. Money brought to the U.S. would mainly be used for new capital investments according to an earlier AAF survey of U.S. multinationals. This survey also found businesses would use the money to increase payroll, pay dividends, and repurchase shares or retire debt.

The authors of the analysis, Douglas Holtz-Eakin, President of AAF, and Gordon Gray, Director of Fiscal Policy conclude: “While a temporary repatriation policy holds the potential for significant economic growth, the U.S. tax code should ultimately be reformed permanently to encourage long-term economic growth. Reforms should encourage firms to headquarter and invest in the United States, minimize expensive and unproductive tax-planning strategies, improve economic competitiveness, and enhance high-quality jobs. A first step would be to encourage companies to repatriate foreign earnings, with the ultimate goal of moving toward a territorial system of taxation. Lowering the corporate tax rate while scaling back the myriad targeted deductions, credits, and carve-outs currently found in the corporate tax code would increase U.S. competitiveness, stimulate the economy, and introduce a greater degree of simplicity.”

Click here to read the analysis. Click here to read an article by the Financial Times on AAF’s analysis.