

# Tax Policy

## Our Position

Dow and other American manufacturers are in a fierce competition with foreign-based firms, including state-run companies, for market share. Our ability to succeed at home and abroad is influenced by the attractiveness of U.S. investment opportunities, the federal government's taxation of foreign earnings and the treatment of strategic investments like R&D.

Today, our tax structure reflects a U.S. economy from a bygone era, when exports were not as important to manufacturers and U.S. companies faced far less competition. The current system puts American companies at a competitive disadvantage and makes it difficult for them to plan and invest long term.

History has shown that as U.S. companies grow overseas, they increase their U.S.-based employment in key areas such as R&D and engineering. In the U.S., Dow recently invested some \$3 billion in projects and facilities, creating thousands of American jobs. Annually, Dow's \$1.7 billion in R&D supports 4,100 U.S. jobs. But in order to grow our economy and continue this American job creation, we need a successful tax policy that will ensure U.S. manufacturers can fairly compete with foreign-based firms.

## Policy Recommendations

**To help domestic manufacturers succeed in today's global marketplace and regain competitiveness, Dow urges Congress to:**

- **Lower the U.S. Corporate Tax Rate.** The U.S. corporate tax rate is the second highest of the 30 Organisation for Economic Co-operation and Development (OECD) countries, placing the U.S. at a significant competitive disadvantage. Cutting the corporate tax rate would actually increase tax revenue, by attracting more foreign and domestic investments in the United States. Dow recommends Congress set the federal tax rate between 20% and 24%.
- **Move to a Territorial Tax System.** U.S. manufacturers are competing with foreign-owned companies whose home countries tax on territorial basis — meaning those companies pay taxes only in the country where they earn profits. In contrast, the U.S. taxes domestic companies on a worldwide basis, requiring U.S. firms to pay taxes on income earned internationally also. Since the U.S. is the only major OECD economy without a territorial tax system, the discrepancy severely penalizes American companies. Congress should move to the territorial model to enhance competitiveness and increase job opportunities within the United States.
- **Extend and Make Permanent a Competitive R&D Incentive.** The R&D tax credit has been a strong incentive for businesses and has led to the creation of millions of jobs and essential new industries. However, since the R&D tax credit has always been temporary—and sometimes allowed to expire—businesses face enormous uncertainty and must prepare for the distinct possibility that the credit will be suspended, cut or eliminated. Our strongest foreign competitors, like India and China, are investing heavily in R&D and rewarding companies for innovation, while the U.S. ranks 23rd of 38 major OECD countries in its tax treatment of R&D. To encourage firms to conduct research the U.S., Congress should strengthen and make permanent R&D tax incentives.