

IRC Section 911 Coalition

June 4, 2004

The Honorable Bill Thomas
Chairman, Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Re: U.S. Jobs Abroad and Strengthening U.S. Exports

Dear Chairman Thomas:

On behalf of the thousands of employers that we represent and millions of their employees, we strongly oppose the proposed curtailment of the IRC Section 911 housing cost allowance included in the Senate-passed JOBS Bill (S. 1637). As you work to resolve the FSC/ETI issue in a way that promotes the competitiveness of U.S. companies, we urge you to avoid using this revenue offset that would raise taxes on U.S. businesses and American workers.

Section 911 allows U.S. citizens living and working abroad to exclude from gross income up to \$80,000 in foreign earnings and a reasonable housing allowance amount. The Senate provision would cram the housing allowance exclusion into the earned income exclusion, thereby limiting the entire amount excludable per individual to \$80,000. In some countries, particularly those that have substantially higher housing costs than the United States, the housing allowance is very important to the placement and retention of jobs for American workers abroad. The United States is the only major industrial country that does not exempt the foreign earned income of its citizens working abroad from taxation. For decades, Section 911 has been a key tool in offering Americans some relief from that burden, just as DISC/FSC/ETI offered some relief from similar burdens on U.S. corporations.

This reduction in the Section 911 exclusion could shift tens of thousands of jobs now held by U.S. citizens working abroad to foreign nationals and significantly increase the financial burden on U.S. multinationals, reducing their ability to keep pace with their foreign competitors. When Congress last addressed Section 911 six years ago, it increased the exclusion amount, recognizing the importance of helping U.S. companies retain qualified U.S. workers in important international posts and improving their competitive position in the global marketplace. These goals are even more important today.

When in the late 1970s Congress briefly imposed a similar tax increase on Americans working abroad, the result was a significant decline in the number of such Americans. A 1980 study by Chase Econometrics, *The Economic Impact of Changing Taxation of U.S. Workers Overseas*, concluded that every ten percent drop in American workers overseas would result in a five percent drop in U.S. exports. The study further stated that the "drop in U.S. income due to a five percent drop in real exports would raise domestic unemployment by 80,000 (persons) and reduce federal receipts on personal and corporate income taxes by more than \$6 billion, many times the value of increased taxes on overseas workers." A GAO study published the following

year reached similar conclusions and recommended that Congress “consider placing Americans working abroad on an income tax basis comparable with that of citizens of competitor countries who generally are not taxed on their foreign earned income.”

More than 20 years later, similar measures targeting U.S. multinationals and expatriate workers could have an even more serious effect. An increased tax burden for the hundreds of thousands of Americans working abroad and their U.S. employers would inevitably add to the growing numbers of Americans unable to find work at home and hurt the U.S. export sector. Curtailing Section 911 would send the wrong signal to U.S. businesses struggling to compete internationally as well as U.S. workers already having to cope with a sluggish global economy.

We strongly urge you to oppose this reduction in Section 911, thus preserving its crucial role in maintaining the competitive position of American firms abroad and in safeguarding American jobs.

Sincerely,

Organizations

Aerospace Industries Association of America
American Bankers Association
American Chemistry Council
American Club of Lyon (France)
American Council of Engineering Companies
American Insurance Association
American Petroleum Institute
Associated General Contractors of America
Association of American Chambers of Commerce in Latin America
Association of Americans Resident Overseas
Bankers' Association for Finance and Trade
Brazil-U.S. Business Council
Business Roundtable
Coalition of Service Industries
Democrats Abroad
Design Professionals Coalition
Emergency Committee for American Trade
Financial Executives International
Federation of American Women's Clubs Overseas
Hong Kong-U.S. Business Council
Information Technology Association of America
National Association of Manufacturers
National Foreign Trade Council
National U.S. Arab Chamber of Commerce
Republicans Abroad
Securities Industry Association
Software Finance and Tax Executives Council
The Financial Services Roundtable
U.S. Chamber of Commerce
U.S. Council for International Business
U.S.-Korea Business Council