

September 18, 2012

The Honorable Carl Levin
Chairman
Permanent Subcommittee on Investigations
Committee on Homeland Security & Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman,

It is my understanding that your Subcommittee on Thursday will hold a hearing on international tax rules and, specifically, the complex subject of transfer pricing. This is a critical topic to understand as Congress considers major reform in the international tax system.

As you may know, the Information Technology Industry Council (ITI) is the leading voice of the high-tech industry. We represent many of the world's most innovative, productive, and successful U.S. technology companies, and we advocate for public policies that will advance innovation, improve our member company and U.S. economic competitiveness, and fuel job creation here at home.

Given our fundamental policy goals, tax reform is ITI's single most important issue in Congress, and rightly so. The current corporate tax system is broken, out of date and harmful to the U.S. economy. The major components of the current corporate system were adopted in 1962 and 1986. Since the 1986 effort, every major developed country has either lowered its corporate rate, modernized its overall system, or both. As a result, the U.S. today has the highest corporate rate and the oldest tax system among advanced economies.

The motive for tax reform in other countries has been the need to modernize systems and set rates in response to increasingly global markets and supply chains. I am sure we all can agree that our tax system today is ill-suited to the realities of the global economy. Indeed, when it comes to existing tax policy, our U.S.-based companies and our overall economy are at a competitive disadvantage.

Fortunately, the chairs of the House Ways and Means and Senate Finance Committees, Rep. Dave Camp and Sen. Max Baucus respectively, have set a strong foundation for tax reform with numerous hearings and discussions with Members of Congress, stakeholders, and thought leaders. It is our hope that your hearing today will similarly add to the constructive dialogue and search for solutions championed by Chairmen Camp and Baucus.

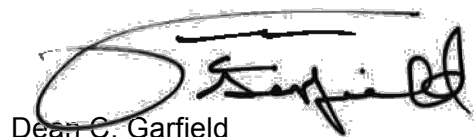
The hearings held to date have revealed, to no surprise, much that is wrong in the current system. American-based companies are subject to tax on foreign earnings even though almost all of their foreign competition faces little or no tax on their non-domestic earnings. The combination of the high rate, the global reach of the system, as well as significant, complex, and costly compliance rules all serve to impede U.S. companies' ability to succeed globally, as well as their ability to invest their global success back in the U.S. economy. As a result, a stunning \$1.7 trillion in foreign earnings by U.S.-anchored companies remains offshore.

In a recent speech on tax reform, Chairman Baucus set four goals: 1) Jobs from broad-based growth; 2) Competitiveness; 3) Innovation; and, 4) Opportunity. Those are our industry's goals as well. We have established principles for a 21st Century tax system that enables both U.S.-based companies and the U.S. economy to succeed. Our approach is centered on a competitive, market-based structure with a lower overall rate that embraces innovation incentives. We believe strongly in this approach and think it well reflects the reform goals articulated by Chairman Baucus. We would welcome the opportunity to talk with you in greater detail about the economic benefits of this approach that, if adopted, would spark job creation and innovation throughout the U.S.

On behalf of ITI's member companies, I look forward to working with you and key members of Congress in the pursuit of ideas and solutions that will advance these important goals for U.S. companies and the U.S. economy, and encourage you and your fellow Subcommittee members to focus your upcoming hearing on positive solutions -- or, in the words of Chairman Baucus, "to focus on results." Doing so will help to move this discussion forward toward a modern, effective and competitive U.S. tax system.

Thank you for your interest in an issue of great importance to ITI's member companies and our economy.

Very respectfully yours,



Dean C. Garfield
President and CEO

CC: The Honorable Tom Coburn
Ranking Member
Permanent Subcommittee on Investigations