

Global Intangible Low-Taxed Income (GILTI)

President Biden during his campaign proposed to increase the tax rate of the foreign minimum tax (global intangible low-taxed income, "GILTI") to 21% from 10.5%, along with other changes to GILTI that would increase the tax burden on U.S. companies.

- **Changes to GILTI that increase the tax burden on U.S. companies doing business abroad will harm their ability to compete with foreign companies and reduce employment at home.**

As noted by Secretary Yellen, the U.S. minimum tax regime is an outlier in the developed world since "most other headquarters' jurisdictions impose no tax on the foreign earnings of their domestically-headquartered multinationals."¹ As foreign companies are not subject to GILTI, increasing the GILTI tax burden will reduce the global market share of U.S. companies. Because domestic employment and investment supports the foreign operations of U.S. companies, shrinking U.S. market share abroad will cause a decline in well-paying U.S. jobs at home.

- **U.S. companies invest abroad to serve customers in foreign markets, not because of GILTI.**

The foreign operations of U.S. companies overwhelmingly serve foreign markets, not domestic markets. Approximately 90% of all sales of these operations are to foreign customers. If these same investments are made in the U.S., they would generally be taxed at similar rates due to the provisions for Foreign Derived Intangible Income (FDII) and the 100% expensing of domestic investment in equipment and certain structures.

- **An increase in the tax burden imposed under GILTI will encourage foreign takeovers of U.S. companies and their foreign operations.**

GILTI applies to U.S.-based companies but not to their foreign competitors. An increase in the tax burden imposed by GILTI makes the foreign operations of U.S. companies more valuable in the hands of foreign-headquartered companies. Consequently, an increase in the GILTI tax would encourage a return to a world where foreign takeovers of U.S. companies and their foreign affiliates were the norm, and U.S. jobs would be put at risk.

1. Response to Sen. Finance Committee, "Follow-up Questions for the Record for Hon. Janet L. Yellen," Jan. 22, 2021.