

**Frank Martin, SBS
President**



美國
商會

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July 21, 2003

The Honorable Senator Charles Grassley
Washington DC
USA

Dear Senator Grassley:

We appreciate your ongoing efforts to examine the effects of U.S. tax policy on U.S. domestic and international competitiveness. We understand that your July 8 hearings on this subject will focus on U.S.-based operations, while the as-yet unscheduled second hearing will focus on U.S. operations located outside the United States. As you continue consideration of this subject, and possibly move toward action on related legislation, we ask that you avoid measures that would raise taxes on U.S. businesses and American workers abroad.

Specifically, we write to express our opposition to proposals to scale back or repeal Internal Revenue Code Section 911. Section 911 allows U.S. citizens living and working abroad to exclude up to \$80,000 in foreign earnings from gross income.

At a time when global markets are increasing in importance to U.S. companies, U.S. Government tax policies impose unique burdens on Americans working overseas. Unlike their counterparts from other industrialized nations, Americans abroad must pay U.S. income tax on income, benefits, allowances, and overseas adjustments. This puts U.S. companies and American employees working overseas at a significant competitive disadvantage because U.S. employers must pay American workers abroad more than they would pay other nationals. Many employers cannot take on this additional burden – even if the American has better professional qualifications.

To make matters worse, the overseas employer must also compensate for the American's income tax on many *non-salary*, quality-of-life items that are taxed as income: reimbursement for the cost of children's schooling, cost of living allowances, home leave, emergency travel, and other necessary and often expensive aspects of living overseas. Thus, in many parts of the world, employers find it significantly cheaper to hire foreign nationals instead of U.S. citizens.

By their very presence overseas, U.S. citizens help to promote America's national interests. Americans who have lived and worked abroad or whose companies rely on overseas markets are well aware of the

important link between U.S. exports and Americans overseas. U.S. citizens abroad are prone to *buy* American, *sell* American, *specify* American, *hire* American, and *create opportunities* for other Americans overseas. Expatriate Americans play a vital role in generating U.S. exports, thereby creating U.S.-based jobs and additional tax revenues. For these reasons, section 911 is very much in the U.S. national interest.

Scaling back or repeal of Section 911 clearly is contrary to the growth-oriented objectives of the recently enacted Jobs and Growth Tax Relief Reconciliation Act of 2003 (signed into law on May 28, 2003). As recently as July 15, even the U.S. Treasury Assistant Secretary for Tax Policy, speaking for the Bush administration, argued before the Senate Finance Committee that, because U.S. workers overseas facilitate international expansion, "the tax-exempt treatment they currently get is perfectly warranted."

Furthermore, after surveying the Hong Kong Chamber membership, we note that 46% of those who responded advised that at a minimum, they would at least reconsider their overseas employment, including evaluating options to return to the US. A further 26% of those who responded advised that they would be forced to terminate their overseas employment and return home, the affect being, potential higher employment in the US.

When Congress last addressed Section 911 six years ago, it increased the exclusion amount to \$80,000 because lawmakers at that time recognized the significance of the provision in advancing the global competitive position of U.S. companies and in retaining jobs for qualified U.S. workers in important international posts. These goals are more important now than ever, and are particularly crucial in Asian markets, where rescinding Section 911 will have the greatest impact. For these reasons, we respectfully request that you oppose efforts to scale back or repeal Section 911.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. M. Pat..." with a stylized flourish at the end.