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April 15, 2013

Tax Reform Working Groups
Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

To Whom It May Concern:

On behalf of the American Apparel & Footwear Association (AAFA), the national trade association for apparel, footwear, and other sewn products companies and their suppliers, I am writing to express our industry's needs in the area of corporate tax reform moving forward. AAFA fully supports Chairman Dave Camp, the House Ways & Means Committee, and the bi-partisan Working Groups in the effort to piece together an overhaul of the U.S. tax code.

AAFA's 425 member companies account for over 1000 brands and represent over 75% of the entire U.S. apparel and footwear industry, one of the largest consumer segments of the United States. With over \$350 billion in annual domestic sales feeding the drive for businesses designing, manufacturing, sourcing, transporting, branding, and retailing clothing and shoes, our industry sustains more than four million American jobs. The manner in which these businesses are taxed directly affects real decisions impacting American workers, American consumers, and the U.S. economy. We believe comprehensive corporate tax reform is needed for U.S. businesses to fully live up to their potential and remain competitive in the global market.

The overarching concern of the U.S. apparel and footwear industry is that the corporate tax code as it stands today is a complicated and outdated mass of rules and regulation. Overall rates for U.S. businesses are higher than that of any other country and our international competitiveness suffers as a result. A large amount of special interest deductions have been allowed to build up over time, leading to an uneven playing field; additionally, artificial constructs are created through these special deductions that inhibit the free-market from living up to its full potential. It is imperative these are carefully examined as the reform process begins on the corporate tax code, and that unnecessary elements are eliminated in favor of a lower overall rate for all U.S. businesses. As in any other process which would greatly affect stakeholders, we urge the Ways & Means Committee to continue to reach out for input in regard to these deductions if and when they are examined.

The complicated nature of the tax code bears greater examination as well. A streamlined, simplified code would allow businesses to efficiently run their operations and give them more freedom to make decisions on a daily basis that ultimately affect everyday workers and consumers. A successfully reformed code would be transparent, include clear requirements, and be geared towards allowing businesses to easily pay their fair share without being unnecessarily burdened by determining exactly what that share consists of.

On a related note, a tax issue that has cropped up recently in the apparel and footwear industry is the lack of a clear physical nexus definition on the federal level in regards

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to Business Activity Taxes (BAT) by states. Currently, several states throughout the U.S., such as Ohio, have tax policies that allow them to enforce BAT on companies that are not only not headquartered in the state in question, but have very little to no involvement in the state outside of selling products to residents. For the apparel and footwear industry, whose products are distributed throughout the country in areas where companies have no physical presence to warrant a state corporate tax, this is a grave concern. AAFA supports the formation of a concrete and clear Federal definition of physical nexus for BAT enforcement by states.

In a similar vein, as online retailers of clothing and shoes continue to make sales all over the country, states are attempting to enforce sales taxes on these products in various ways which may be unnecessarily complicated and burdensome for businesses not located in the state. AAFA supports a system determined on the federal level where states are allowed to rightfully enforce sales taxes on online sales only if they simplify and streamline their sales tax system.

AAFA hopes that these provisions affecting state taxes are included in reform of the corporate tax code on the federal level.

Finally, though U.S. trade policy is not often considered in the same realm as corporate tax reform, excessive and burdensome tariffs on clothing and shoes are a form of taxes that detrimentally affect our industry and need to be addressed. Four million Americans employed by the apparel and footwear industry directly benefit from efficient and fair international trade laws which allow these businesses to remain competitive worldwide. Achieving this competitiveness through free trade agreements, and trade liberalization such as the elimination of import duties on footwear no longer made in the U.S., is a necessity in the 21st century global marketplace.

Thank you for this opportunity to submit comments. AAFA hopes that the movement for corporate tax reform continues to see momentum in the 113th Congress. We look forward working with the House Ways & Means Committee, and the individual Working Groups, on this very important issue. Please feel free to contact AAFA's Tax Policy Liaison, David Lapidus, at [REDACTED], if you have any questions or need further information.

Sincerely,



Kevin M. Burke
President and CEO
American Apparel & Footwear Association (AAFA)