HYUNDAI
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April 15, 2013

The Honorable Jim Gerlach
Chair
Manufacturing Tax Reform Working Group
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

The Honorable Linda Sanchez
Vice Chair
Manufacturing Tax Reform Working Group
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

By email: tax.reform@mail.house.gov

Dear Congressman Gerlach and Congresswoman Sanchez:

Thank you for your invitation to submit comments to the Ways and Means Manufacturing Working Group on Tax Reform. The following are our responses to the questions posed in your letter of March 18, 2013 to Chairman Chung of Hyundai Motor Company ("Hyundai"):

Manufacturing Tax Incentives: A Tax Code to Increase U.S. Manufacturing

In the context of Hyundai's automotive manufacturing activities in the United States, the most important provision in the current Tax Code is the corporate income tax rate. Generally, we are in favor of reducing complexity, but reducing complexity is only part of the solution. An overall reduction in the U.S. corporate tax burden is key to attracting more foreign direct investment in the United States.

The U.S. Corporate Rate, Manufacturing Tax Incentives and the Global Landscape

Hyundai's U.S. manufacturing operations produce vehicles solely for the U.S. and Canadian market. Generally, our competitors operate in the same tax environment, and therefore we do not believe that tax incentives significantly influence the competitive landscape.

Hyundai directly employs more than 3,600 people in our U.S. manufacturing operations and an additional 2,000 people in our related U.S. automotive distribution, research, and finance operations. Counting the U.S. jobs provided by our related logistics and parts suppliers would increase that jobs number significantly: a 2011 study by the Center for Automotive Research found that our operations (including our over 800 dealerships) help to support over 94,000 jobs in the United States. A meaningful reduction in the corporate tax rate would free up income to be strategically reinvested in our business and would make the United States a more attractive market for increased investment.

Improving the Tax Code for Manufacturers: Reforming Manufacturing Incentives

Just like other U.S. taxpayers, Hyundai has benefited from the additional cash flow resulting from bonus depreciation deductions enacted in recent years. However, the nature of those incentives is such that the benefit is temporary and those incentives cannot be relied upon when making long-term decisions as to major capital projects in the United States.

As stated above, the single tax reform proposal that would provide the greatest benefit to Hyundai is a reduction in the U.S. corporate income tax rate. A lower corporate income tax rate would be a significant positive factor in any future decision to expand our manufacturing operations in the United States. Lowering the corporate rate provides a level of predictability and certainty that other potential incentives, such as R&D credits, do not provide. While reduced complexity would be welcomed, tax reform that does not result in a net reduction in the overall corporate tax burden will not have the desired effect of attracting increased foreign direct investment in the United States.

Hyundai is very supportive of your efforts, and we thank you for this opportunity to provide our comments.

Sincerely,

Daniel W. Nelson
Director, Tax and Customs