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November 1, 2011

The Honorable Dave Camp
Chairman
Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Sander M. Levin
Ranking Member
Committee on Ways and Means
1236 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Camp and Ranking Member Levin,

We are writing to thank you for your leadership in releasing the discussion draft on a Participation Exemption (Territorial) System and the invitation to provide constructive feedback.

As you know, 3M is a U.S.-based employer and manufacturer established over a century ago in Minnesota. Today, 3M is a global company conducting the majority of our manufacturing and research activities in the United States while the majority of our sales are outside of the U.S. 3M is home to such well-known brands as Scotch, Scotch-Brite, Post-it®, Nexcare®, Filtrete®, Command®, and Thinsulate® and is composed of six business sectors: Consumer and Office; Display and Graphics; Electro and Communications; Health Care; Industrial and Transportation; and Safety, Security and Protection Services.

3M has long supported the need for comprehensive corporate tax reform principally to improve the global competitiveness of American businesses and workers. We believe that a significant reduction in the corporate tax rate and the adoption of a territorial system are key components to this much needed reform.

As you well know, the U.S. currently has the second highest corporate tax rate in the industrialized world. Our high U.S. corporate tax rate increases the cost of U.S. manufacturing operations. This increased cost translates into higher prices to customers, lower wages to employees, and lower returns to investors, which in turn hinder 3M's ability to compete in the global marketplace. In addition, the worldwide base of the current U.S. international tax system adversely impacts the competitiveness of American businesses which operate overseas for business reasons, like 3M, relative to competitors that are based in jurisdictions that exempt foreign income.

With regard to the specific territorial tax plan outlined in the discussion draft, we support a 95% dividend exemption approach. This approach accomplishes the policy objectives of exempting foreign earnings and limiting deductibility of related US based expenses in a far less complicated manner than other proposals.

We agree with the Committee that anti- abuse rules are necessary to prevent the erosion of the U.S. tax base. We are reviewing the three base erosion options offered and look forward to the opportunity to discuss potential improvements to these options.

In addition, we are reviewing the implications of the proposed transition rules for pre-enactment foreign earnings. 3M, like many companies have substantial foreign earnings permanently reinvested in active businesses outside of the U.S. We need to consider the up-front tax impact on accumulated earnings that can never be repatriated to the U.S. and the complexity involved in determining the accumulated undistributed earnings for companies that date back over 50 years.

We look forward to working with you and your staff on this important initiative and would like to specifically discuss issues related to the transition rules for repatriating foreign earnings, the subpart f rules, the treatment of intangible property overseas, and cross-border reorganizations.

Again, we sincerely appreciate the significant work you and the Committee have and are doing to craft a U.S. tax code that levels the playing field for U.S. based companies and encourages more investment, manufacturing and jobs in the U.S.

Sincerely,

Henry W. Gjersdal, Jr.
Vice President, 3M Tax and Real Estate

cc: Members of the Ways and Means Committee