SoFTEC
Software Finance & Tax Executives Council
www.softwarefinance.org

April 10, 2013

Via Email

Hon. Devin Nunes
Chair
Hon, Earl Blumenauer
Vice Chair
International Tax Reform Working Group
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Re: International Tax Reform

Dear Chairman Nunes and Vice-chairman Blumenauer:

This letter represents the views of the Software Finance and Tax Executives Council (SoFTEC) with respect to reform of the U.S. system of taxing the foreign profits of U.S. based companies. SoFTEC fully supports efforts to overhaul the current outdated corporate income tax system, making it more competitive with the tax systems of our major trading partners. SoFTEC believes any reform of the current system should include two major components: (1) a reduction of the corporate tax rate to an internationally competitive rate, in-line with our trading partners, and (2) a shift from the outdated system of worldwide taxation to a competitive system that imposes minimal residual U.S. tax on foreign earnings. SoFTEC understands the need to consider appropriate base erosion provisions for such a system, but it is critically important that such provisions be broad-based and not impose a higher rate of tax on any particular industry or type of foreign income, such as active income from intangible property, than would be imposed on other industries or types of foreign income.

SoFTEC is a trade association providing software industry focused public policy advocacy in the areas of tax, finance and accounting. SoFTEC is the voice of the software industry with regard to tax policy. Because SoFTEC members sell their products and services to customers at home and abroad , they have an interest in the tax reform work of the Ways and Means Committee in general and your Working Group in particular.

Intangible property is broadly defined as including patents and copyrights. Copyright and patent law are the primary forms of legal protection for the computer software industry's products and services. As such, any changes to the U.S. tax system as part of tax reform that imposed a higher rate of tax on foreign income from intangible property would necessarily fall more heavily on the software industry.

The outdated U.S. international tax system has not kept pace with significant changes in the global economy over the past quarter century. Our major trading partners have significantly lower corporate tax rates and tax systems that impose minimal residual home country taxation on foreign earnings. Those tax systems provide a competitive advantage to companies headquartered in those countries, which operate in both foreign and U.S. markets, making it more difficult for U.S. companies to grow and compete.

We are encouraged that Congress may consider tax reform in the near term that would lower the corporate tax rate and move to a competitive system of taxing foreign profits. However, we are concerned proposals that would limit "base erosion" would also subject intangibles-related foreign earnings to a higher rate of tax than other foreign earnings. If Congress is concerned about base erosion, it should consider approaches that do not single out any particular type of foreign earnings, such as active intangible property income.

SoFTEC thanks the chair and vice chair for the opportunity to provide these comments and look forward to working with the Committee as tax reform progresses through the Congress. I can be reached at [redacted] with any questions for requests for further information.

Respectfully submitted,

Mark E. Nebergall
President
Software Finance and Tax Executives Council