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Louis R. Chênevert
Chairman & Chief Executive Officer

April 15, 2013

The Honorable Jim Gerlach
Chair, Ways and Means Manufacturing Working Group
2442 Rayburn House Office Building
U.S. House of Representatives
Washington, DC 20515

The Honorable Linda Sanchez
Vice Chair, Ways and Means Manufacturing Working Group
2423 Rayburn House Office Building
U.S. House of Representatives
Washington, DC 20515

The Honorable Peter Roskam
Member, Ways and Means Manufacturing Working Group
227 Cannon House Office Building
U.S. House of Representatives
Washington, DC 20515

RE: Tax Reform

Dear Representatives Gerlach, Sanchez, and Roskam,

Regarding your letter dated March 18, 2013, thank you for the opportunity to provide input on the importance of tax reform as it impacts manufacturers. UTC's perspectives on tax reform are directly related to our identity as a diversified American manufacturer with a worldwide footprint.

At United Technologies, our workforce provides high-technology aerospace and building systems to customers in all 50 states and 180 countries. UTC maintains headquarters in Hartford, Connecticut, 80,000 U.S. employees, and significant intellectual property and R&D investments in the United States. UTC's $58 billion in revenues were generated by our diverse business units, which include:

- Otis Elevator Company (elevators and escalators)
- Pratt & Whitney (aircraft engines)
- Sikorsky (military and commercial helicopters)
- UTC Aerospace Systems (aerospace, power systems, controls, and sensing systems); and
- UTC Climate Controls & Security (heating, air conditioning, and refrigeration systems; building controls and automation systems; and fire and security solutions).

Every day at UTC, we strive to make a positive difference for our customers, shareowners and employees. Given our breadth as a company, this means we must navigate long and short business cycles, anticipate and adapt to changing market conditions, continually innovate, attract and retain talent, foster capable and efficient supply chains, benchmark, remain fiscally disciplined, ensure legal compliance, and maintain the highest ethical standards. In each region and market, competition for business is fierce.

These challenges are complicated by the burdens imposed by an outdated and overcomplicated U.S. tax system. Businesses--particularly manufacturers--that maintain a committed presence in the United States need to pursue growth markets, mobilize and invest capital efficiently, and act as engines of economic activity. Yet they are impeded by an archaic, uncompetitive tax structure.

The problems with the current corporate tax system are well documented. The corporate rate and worldwide approach are out of step with international norms. Repatriated capital faces a second instance of taxation after already being taxed at its source, resulting in lockout and the reinvestment of foreign earnings abroad. As a result, U.S. headquarters are declining.

For manufacturers, the system can approach nonsensical. Provisions intended to spur various industries are routinely allowed to lapse, blunting their incentive effect. These "retroactive incentives" are then accompanied by regulations, conditions, and scrutiny that raise the question of whether the manufacturing sector would be better served by broad-based tax reform. Lower rates, growth-oriented international rules, and tax simplification would allow decision makers to invest, innovate, and comply with confidence.

The attachment of particular industries, stakeholders, and special interests to beneficial sections of the tax code is also well documented. With our wide range of products and services, UTC and its businesses belong to numerous trade groups that favor such discrete tax provisions. However, at the enterprise level, we believe that the tax system ultimately performs best when focused on its broad systemic mission rather than picking and choosing specific investments or industries for favor or disfavor.

UTC has endorsed a revenue-neutral approach toward reducing the corporate rate and designing new international rules to remove the current impediments that advantage our competitors and discourage U.S. investments. We are willing to give up current tax expenditures in order to achieve these goals. We support thoughtfully designed provisions to protect the tax base from inappropriate erosion.

Moreover, we are not asking small business owners to pay for corporate tax relief. Many of our suppliers are small businesses with whom we enjoy a symbiotic relationship. Likewise, the corporate sector should not be used as a revenue source to finance individual tax reform as was done in 1986, nor for government spending or deficit reduction. Doing so would be short-sighted, hurt employment, and strain the fragile economic recovery.

UTC is encouraged by the leadership and commitment of policymakers who, guided by macroeconomic principles, believe that U.S. economic growth can be furthered through tax reform. Such an approach will benefit U.S. manufacturers, their workers, and the communities and civic causes to which they contribute. Provide the right framework, rather than tailored special incentives that come with legislative and regulatory uncertainty, and manufacturers will innovate, produce, and compete to win on their own merit.

Thank you again for the invitation to comment.

Sincerely,

Louis R. Chênevert