

January 12, 2017

Chairman Kevin Brady
House Ways and Means Committee
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Brady,

Happy New Year and best wishes for the new Congress. We share your enthusiasm for the start of a relationship with a new Administration that will provide lasting benefits for the American people.

Thank you for joining the December 7, 2016 meeting of the Business Roundtable. Please find below some information about our company, as well as our thoughts about tax reform going forward. Your plan to tackle tax reform is refreshing, and S&P Global looks forward to working with you this year to achieve that goal.

S&P Global provides intelligence about the markets to companies, governments, and individuals. Our portfolio consists of global, scalable businesses with iconic brands— S&P Global Ratings, S&P Global Market Intelligence, S&P Dow Jones Indices, and S&P Global Platts. Together, S&P Global offers a breadth of coverage across credit, debt, equity, and commodity markets. S&P Global has more than 20,000 employees in 31 countries and approximately 100 global offices. In 2015, our revenue was \$5.3 billion and net income was \$1.156 billion. 40% of the company's revenues in 2015 came from international operations. Our U.S. tax base is higher than the percentages that our revenues suggest because our intellectual property is principally developed and owned in the U.S. In 2015 our effective tax rate was 30.5% (after adjusting for excluded items). We estimate in 2016 we will pay nearly \$500 million in U.S. federal income taxes and over \$600 million globally. Our global headquarters is in New York City. More information is available in our Investor Fact Book at <http://investor.spglobal.com/Investor-Fact-Book/Index?KeyGenPage=1073751494>.

The House Ways and Means Republican Blueprint "A Better Way Forward for Tax Reform" represents a bold approach to reforming the U.S. tax code to promote growth. Lowering the corporate income tax rate while broadening the base through eliminating preferences is a desirable outcome as it would "level the playing field" with our foreign competitors. Imposing taxation on pass-through entities would also improve fairness among U.S. companies. GDP growth and job creation is beneficial to all and our company. Growth can also come from investing in our infrastructure, thereby increasing demand for construction materials and construction jobs.

The Blueprint includes a border adjustment feature that would also level the playing field with foreign countries' tax systems that feature value added taxes. Border adjustment should also discourage inversions and promote development of intellectual property in the U.S., and this would clearly benefit our company as several of our businesses export worldwide from the U.S.

The Blueprint also provides for immediate expensing of plant and equipment, while disallowing a deduction for interest expense. Although there may be restrictions and limitations, none of the larger economies in the world flatly disallow a tax deduction for interest expense and this would create a competitive disadvantage for U.S. companies. We suggest reviewing this proposal for its effect on jobs and GDP. In addition, we believe that certain sectors of the economy that have limited investment in plant and equipment, so-called "asset light" companies, would be disadvantaged with the disallowance of the interest expense deduction and suggest consideration be given to an election between expensing and the interest deduction. Absent that, the code would have new preferences, replacing the old, between industries.

We have also heard from our colleagues serving growing companies that denying an interest expense deduction to those companies would deprive them of a critical source of capital as the equity markets may not be available to them. As an alternative to non-deductibility of interest expenses for all companies, perhaps consideration could be given to allowing the interest expense deduction to small companies with up to \$1 billion in revenues. Small companies are reported to be among the strongest source of new jobs in the U.S.

We are encouraged by the strong possibility for tax reform this year and will make ourselves available to you and your staff throughout this process as the legislation takes shape.

Sincerely yours,

A handwritten signature in black ink, appearing to read "D. Peterson", with a long horizontal flourish extending to the right.

Douglas L. Peterson