COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

April 8, 2021

The Honorable Janet Yellen
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Dear Secretary Yellen:

Thank you for your commitment to a dialogue with Congressional Republicans on the important global tax negotiations taking place at the OECD. While we believe that the OECD is the proper forum to resolve major global tax changes, we remain deeply concerned with various components of the OECD digitalization tax project. That is why we request a briefing from you or appropriate Treasury officials on the Biden Administration's goals, and whether they align with what we see as an urgent need for a strong position in favor of the U.S. tax base, workforce, and business community.

The OECD / G20 Inclusive Framework's Pillar One and Pillar Two "blueprints" include significant departures from accepted international tax principles. We are concerned that the OECD changes could directly reduce U.S. tax revenues and also leave the door open to other countries'continued attacks on U.S. companies and our domestic tax base. We further support USTR's strong action through the steps it has taken in its section 301 investigations.

For Pillar One, the OECD has failed to articulate the core principles underlying a new method of profit allocation. As a result, negotiations have stumbled along with little real progress. Further, without a set of coherent and agreed principles, any OECD agreement stands little chance of long-term durability. Other countries will continue to extract as much revenue as possible from the United States through digital services taxes or otherwise. Concurrent with a principles-based agreement on Pillar One, countries must agree to immediately withdraw their unilateral digital services taxes.

Regarding Pillar Two, the United States has already enacted and implemented a robust minimum tax on active foreign earnings, consistent with the original OECD BEPS project. The U.S. global intangible low-taxed income (GILTI) minimum tax must therefore be treated as an acceptable minimum tax under the OECD framework. We are also very concerned that your negotiating position will permit other countries to enact minimum taxes at rates *lower* than today's GILTI effective rate, while the Biden Administration seeks to *double* the GILTI rate paid by U.S.-headquartered companies. That result would place American workers and companies at a severe competitive disadvantage versus their foreign peers.

The approach we have outlined has received bipartisan support in recent years, which is very important because any agreement reached at the OECD will have to be approved by Congress. To advance our dialogue toward achieving a beneficial outcome for the United States, we respectfully request that you or appropriate Treasury officials provide a briefing this month to Republican Members of the Committee on Ways and Means.

Sincerely,

Kevin Brady
Ranking Member
Committee on Ways and Means

Vern Buchanan
Committee on Ways and Means

Tom Reed
Committee on Ways and Means

Tom Rice
Committee on Ways and Means

Jackie Walorski
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