



Biden's Global Tax Surrender: Higher Taxes & Fewer Jobs for Americans, Windfall for Foreign Competitors

On October 8th, the Organization for Economic Co-Operation and Development announced an agreement on a global minimum tax framework. All countries—except the United States--would adopt a 15 percent minimum tax on their companies' foreign profits starting in 2023.

For American companies, the Biden Administration would go even further. He would tax American companies at a 26.25 percent minimum rate on their foreign profits, 10 percentage points more than the agreed-to OECD rate. The Tax Cuts and Jobs Act already created a U.S. global minimum tax and Biden's crippling tax increase means fewer American jobs and a windfall for foreign competitors.

Despite the fanfare surrounding the Administration's foreign tax deal, creation of this global tax cabal is no cause for celebration. It confirms President Biden's willingness to surrender American jobs and provide protection to foreign competition—not to American companies and workers.

KEY TAKEAWAY: Biden's plan offers foreign countries a sweetheart deal, while his punitive tax on Americans will send jobs to foreign competitors

- A minimum tax on foreign profits acts as a "top-up" tax – meaning a country can collect additional tax if companies headquartered within its borders earn profits in lower-tax foreign jurisdictions.

Example 1: If France adopts the 15 percent minimum tax on foreign profits, a French company operating in Ireland will pay the 12.5 percent Irish corporate income tax and a 2.5% "top-up" tax to France (in order to reach the 15 percent minimum tax level).

Example 2: A French company operating in Hong Kong would pay the 16.5 percent Hong Kong corporate income tax, but owe no "top-up" tax to France (because the foreign tax rate already exceeds the 15 percent minimum tax level).

Example 3: An **American** company would pay higher taxes than the French company in both scenarios. Under the Biden plan, an American company pays 26.25 percent on its profits in either Hong Kong or Ireland, a far higher tax burden than that faced by a competing French company.

- American companies would pay this higher global minimum tax for operating abroad while also paying Biden's 28 percent rate for operating at home—making America even less competitive and driving jobs, manufacturing, research, and investment overseas.

Under Biden's Global Tax Surrender, it's better to be a foreign company or foreign worker than to be an American company or American worker. Instead of sending jobs elsewhere, Biden's top priority should be protecting American workers and jobs.

President Biden's plan is not a victory for America, but a surrender.