Congress of the United States
House of Representatives
Washington, DC 20515-3605

June 20, 2022

The Honorable Szabolcs Takács
Ambassador of Hungary in the United States of America
3910 Shoemaker Street, N.W.
Washington, D.C. 20008

Dear Ambassador Takács:

Today we write to thank you for Hungary's wisdom in opposing European Union (EU) adoption of Organisation for Economic Cooperation and Development (OECD) Pillar 1 and Pillar 2 tax rules. It is our understanding a large majority in the Hungarian parliament adopted a resolution expressing concern that the planned global minimum tax would hurt Hungarian global competitiveness and that details of the minimum tax should be carefully considered before the EU adopts a directive on the measure to avoid double taxation.

We have similar concerns that the OECD's current Pillar 2 rules lack important details and would likely harm our own global competitiveness. In the absence of greater clarity on issues like treatment of the U.S. global minimum tax (i.e., "GILTI") and multilateral dispute resolution, multinational enterprises are at significant risk of double taxation, which will reduce jobs and investment everywhere. We question the prudence of the entire world moving forward toward a system that forces countries to relinquish their sovereign taxing authority while simultaneously creating new international tax disputes between countries. The Tax Cuts and Jobs Act, tax reform legislation enacted in the United States in 2017 has successfully demonstrated that lower corporate tax rates and broad-based investment incentives can drive strong economic growth and increase tax revenue.

As the Hungarian government continues deliberations on OECD Pillar 1 and Pillar 2, we appreciate your willingness to consider the effect of these rules on investment and growth. International economic competitiveness can be influenced by numerous factors, including the skill level and productivity of workforces, respect for the rule of law, property rights protections, and the competitiveness of a nation's tax system. We respect Hungary's sovereign right to establish its own tax laws without a heavy hand of influence by high-tax nations. We also understand Hungary's national interest in attracting economic activity with a pro-growth tax system. We are concerned that U.S. Treasury negotiators have failed to protect our own pro-growth tax provisions, like our R&D tax credit, while other countries managed to protect their own. Congressional Republicans will not support an agreement that allows other countries to claw back important provisions in our tax system.

As you may know, under the U.S. Constitution, various powers are allocated among the executive, legislative, and judicial branches of our federal government. While the president is empowered to conduct foreign policy and negotiate treaties with foreign countries, changes to U.S. tax law can only be made through legislation introduced in the House of Representatives, passed by both houses of Congress and finally, signed by the president to become law. The Biden administration has not consulted directly with Congress or demonstrated the ability to assemble a majority to enact the tax law changes necessitated by these agreements. Without enacted legislation, the United States cannot, and will not, participate in Pillar 1 or Pillar 2.

We would like to extend an offer for a direct dialogue with Congressional Republicans as you consider Hungary's position on the global tax agreement.

With warmest regards,

Adrian Smith
Republican Leader
Trade Subcommittee
Committee on Ways and Means

Mike Kelly
Republican Leader
Select Revenue Measures Subcommittee
Committee on Ways and Means