Sylvamo
The World's Paper Company

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Chairman Kelly, Ranking Member Thompson and members of the Tax Subcommittee on Ways and Means, thank you for inviting me to testify today about the impact that pro-growth international tax policies like those in the Tax Cuts and Jobs Act (TCJA) and the One Big Beautiful Bill Act (OBBBA) can have on manufacturers like Sylvamo, where I serve as the Vice President of Tax.

Sylvamo is a U.S.-based global leader in uncoated freesheet paper headquartered in Memphis, Tennessee. We directly employ approximately 1,800 Americans across three major manufacturing facilities in South Carolina and New York, and our mills indirectly support approximately 5,000 additional jobs in these mill communities. We primarily make and sell copy, commercial printing, converting and specialty papers. Our customers, ranging from small local businesses to large retailers, produce or sell paper ballots, office copy paper, billing statements, file folders, flour/sugar bags, pension and retirement statements and the envelopes that carry them. Even in today's digital age, paper is a crucial part of Americans' everyday life—and our company drives economic stability and growth here at home and bolsters our nation's competitiveness on the world stage.

Sylvamo's story is emblematic of manufacturers across the country. Our industry is powered by the 13 million people who make things in America—and tax policy is crucial to our ability to deliver for those workers and the communities in which we operate.

The Tax Cuts and Jobs Act transformed manufacturing, driving record job creation, wage growth, and capital investment. When Sylvamo became independent in 2021, pro-manufacturing policies—especially the 21% corporate tax rate—were critical factors enabling our success as a U.S. based manufacturing company. This included the TCJA's international tax provisions, which in conjunction with the corporate rate ensured that the U.S. would remain the best place in the world to make things.

Entering 2025, our company—alongside the rest of our industry—stood strong with this Committee and this Congress in support of your efforts to preserve the TCJA provisions set to expire at the end of this year. National Association of Manufacturers President and CEO Jay Timmons called the One Big Beautiful Bill Act "a manufacturers' bill, through and through"—and Jay was right. The OBBBA preserved the TCJA, and it prevented devastating tax hikes on our industry. Without congressional action, the international tax system that had been foundational to America's competitiveness on the world stage would have fallen by the wayside—but your action prevented those tax increases and protected American manufacturing's global preeminence. So, first and foremost, I'd like to say thank you for delivering a pro-growth tax code that enabled our company and other manufacturers to invest and create jobs here in America.

The international tax reforms were a significant component of this pro-growth tax code, but it by no means ends there. By making permanent immediate research and development (R&D) expensing

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and full expensing for capital equipment purchases, H.R. 1 empowered Sylvamo to more easily invest in the equipment needed for our substantial forthcoming investments in the United States, and we can more easily invest in the research we need to develop new paper grades, improve print performance, and reduce chemical and water usage. Similarly, by expanding immediate expensing to manufacturing facilities, manufacturers like Sylvamo now have the tax tools to support investment across all of our largest investment categories, supporting both facility expansions and new facility construction, on top of the equipment that fills them.

Sylvamo is actively reinvesting in our U.S. operations, reflecting a commitment to strengthening American manufacturing and preserving family-supporting jobs in rural communities. The company prioritizes manufacturing products in the United States, where it produces approximately 1 million short tons of paper annually and spends roughly $60 million per year to keep its U.S. mills globally competitive, preserving U.S. jobs. In 2025, we announced $145 million in investments at our South Carolina facilities and an additional $70 million invested by a third-party.

Specifically, investments announced in 2025 include:
- $100 million investment by Sylvamo to expand capacity at our Eastover, SC mill, adding 60,000 short tons annually;
- $45 million investment by Sylvamo in a new sheeter at our Sumter, SC plant to enhance efficiency and product quality; and
- $70 million investment by Arkansas-based The Price Companies, which will modernize and operate the woodyard at the Eastover, SC mill for Sylvamo—a critical step to strengthen the company.

Each of these substantial investments is made easier through policies like immediate expensing for equipment and immediate expensing for manufacturing facilities. At the same time, every single one of our facilities benefits from the innovations we develop through our research and development, and all of these investments are underpinned by the competitive corporate and international tax code.

In addition to our existing assets and forthcoming investments in the U.S., we have significant international operations given that the locations of our manufacturing facilities are strategically tied to the location of natural resources. In other words, our mills need to be where we have access to trees and pulp—and we have mills in France, Sweden, and Brazil to access these resources. Our international reach and strong positioning across retail, merchant, and e-commerce channels position us to meet the paper needs of our end-users around the world and to support continued growth, investment, and job creation here in the U.S. Our worldwide operations also give us significant experience with the U.S. international tax regime.

I appreciate the opportunity to share Sylvamo's story with you today, and to explain how the international tax policies in the TCJA and the OBBBA help ensure that U.S.-based, globally engaged manufacturers like Sylvamo can compete on the world stage while driving the domestic economy here at home.

I. The TCJA and the OBBBA implemented a competitive, pro-growth hybrid territorial system, anchored by the 21% corporate income tax rate, to support manufacturers' efforts to invest and create jobs here at home.

The Tax Cuts and Jobs Act and the One Big Beautiful Bill Act each contributed to building one of the most competitive tax systems in the world, enabling more investment, jobs, and economic growth

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both by Sylvamo and the manufacturing sector broadly, supporting investment in the United States as the global economy has become increasingly competitive.

Prior to the 2017 tax reform, the United States' corporate tax rate was 35%. This was the highest corporate rate in the OECD and the third-highest rate in the entire world. The U.S. was an outlier among our global competitors, maintaining a corporate rate 15 points higher than the OECD average—and there was bipartisan consensus that the 35% rate was preventing manufacturers in America from competing on the world stage, particularly as America's peers were steadily lowering their corporate rates to out-compete manufacturers in the U.S.

Not only was the U.S. corporate rate uniquely high, but the previous U.S. worldwide tax system meant that business profits earned abroad were subject to the U.S. corporate income tax when repatriated to the United States. Facing one of the highest corporate tax rates in the world, many companies chose not to repatriate their foreign earnings, creating a "lock-out" effect that prevented trillions of dollars from coming back into the U.S. economy. As a paper company with international operations that repatriates millions of dollars from our overseas operations, this system would have severely impaired our ability to grow and invest in the United States.

Tax reform fixed these fundamental manufacturing disadvantages that had long weighed on the economy, lowering the corporate rate from 35% to 21% and implementing a competitive, pro-growth territorial tax system that supported manufacturers' efforts to invest and create jobs here at home. The One Big Beautiful Bill Act then strengthened and made these critical provisions permanent. Among the 38 countries in the OECD, the U.S. now has the 22nd highest corporate rate—instead of the highest, as was the case prior to tax reform. The 21% rate realigned the U.S. corporate rate with the average corporate rate elsewhere in the OECD, making the United States a more attractive home for manufacturing investment, job creation, and economic growth.

Underpinned by the reduced corporate tax rate, tax reform's international provisions were designed to make it easier and more cost-effective for manufacturers to locate their headquarters, assets, and intellectual property here in the United States. When Sylvamo incorporated in 2021, we placed our headquarters in Memphis, Tennessee because U.S. tax policy made it competitive. Even with our international presence, we weren't burdened by a 35% tax on repatriated earnings.

The One Big Beautiful Bill Act upgrades and makes this system permanent, reinforcing the incentive to build in America while still enabling U.S. companies to grow and compete in foreign markets. Fundamentally, the TCJA/OBBBA international tax regime is made up of four key components:

- **Corporate Tax Rate—**The TCJA's more competitive 21% corporate tax rate made the U.S. a more attractive home for manufacturing investment. The corporate rate was made permanent by the TCJA, providing much-needed certainty to manufacturers planning long-term investments. Despite pressure by some to increase the rate, Congress held firm in the new law and preserved the 21% rate—protecting American competitiveness in the process.

- **Foreign-Derived Deduction Eligible Income (FDDEI)—**The TCJA's Foreign-Derived Intangible Income (FDII) deduction reduced taxes for companies with job-creating, export-producing intellectual property in the U.S., creating an incentive for companies to locate IP in the United States and helping manufacturers invest in job-creating R&D and production here at home. Recognizing the success of this policy, Congress prevented the scheduled rate increase at the end of this year and removed the penalty for tangible assets in the United

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States, broadening what is now the FDDEI incentive beyond intellectual property in the OBBBA—and further strengthening the provision for manufacturers.

- **Net Controlled Foreign Corporation Tested Income (NCTI)—**The TCJA's Global Intangible Low-Taxed Income (GILTI) regime imposed a minimum level of U.S. tax on foreign income, targeted at intangible income earned in low-tax jurisdictions. GILTI disincentivized shifting profits and assets away from the U.S. The GILTI regime would have become much more punitive for globally engaged manufacturers at the end of 2025 without the OBBBA, but instead Congress made improvements to what is now NCTI, recalibrating the allocation of expenses for foreign tax credits, reducing the foreign tax credit haircut from 20% to 10%, and mimicking FDDEI's expansion beyond intellectual property while preventing the previously scheduled rate increase.

- **Base Erosion and Anti-Abuse Tax (BEAT)—**The BEAT imposes a surtax on certain "base erosion payments," including royalties, interest, rent, and services, made by a U.S. company to a related foreign corporation. While the BEAT was designed to target erosion of the U.S. tax base, many of these transactions are made in a company's ordinary course of business—not to avoid U.S. taxation. If the BEAT had been allowed to increase, as it was scheduled to do, it would have subjected more of these payments to additional taxation, increasing the cost of doing business for manufacturers operating around the world.

Collectively, these provisions—two "carrots" and two "sticks"—sustain tax reform's territorial tax system, which enhances America's competitiveness and supports manufacturers' efforts to create jobs and grow investment here in the United States. We are headquartered in the U.S., but we have significant international operations. As mentioned, the locations of our manufacturing facilities are strategically tied to the location of natural resources. As a result, local country taxes have a big impact on our overall tax burden. Because we are a global company, we are particularly sensitive to U.S. tax on foreign earnings. The GILTI regime was previously intended to target "low-tax intangible income," but manufacturers like Sylvamo with limited intangible income, and in high-tax jurisdictions, could still find ourselves subject to the tax. The OBBBA's expense allocation changes to GILTI (now NCTI) made the provision more targeted towards low tax jurisdictions —and more workable for U.S. based multinationals like us. With respect to FDII, the deduction provides Sylvamo with a beneficial rate on export income, which encourages exports and helps us to better utilize our U.S. manufacturing facilities and U.S. workforce—and the OBBBA's improvements to FDII (now FDDEI) will only supercharge these benefits. Overall, this TCJA/OBBBA international tax system, anchored by the 21% corporate rate, is a significant improvement over the pre-TCJA status quo—and Congress's leadership in preserving this system via H.R. 1 will allow us to continue to invest and create jobs here in the U.S.

II. International tax reforms have proven conducive to investment and economic growth in the U.S.

With eight years having passed since this reformed international tax system was first put in place, including Sylvamo's four years of operating under this system as an international company, we can observe the results on our business and the manufacturing industry. The reduced corporate rate made the United States tax code one of the most competitive in the world, attracting investment and making U.S. companies more competitive on the global stage. Sylvamo was able to invest in our domestic production far more than if our repatriated earnings from abroad had been subject to a 35% corporate rate. For the manufacturing industry broadly, reducing manufacturers' tax burden directly

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led to an increase in investments, job creation, wage growth, and economic expansion. In 2018, the year the TCJA took effect, manufacturers created more than 260,000 jobs (the best year for job creation in 21 years) and increased wages by 3% (the best year for wage growth in 15 years). Manufacturing capital spending grew 4.5% in 2018 and 5.7% in 2019. Our industry's value add to GDP rose by 7.6% from 2017 to 2019, quadrupling the increase in our contribution to GDP from 2015 to 2017.

The TCJA was transformational to manufacturers' ability to build factories, innovate life-changing products, and expand the middle class here in the U.S. This was because tax reform removed barriers to growth that had been holding manufacturers back: National Association of Manufacturers (NAM) surveys conducted prior to tax reform found that nearly 80% of manufacturers were struggling with unfavorable business conditions like high taxes—a figure that dropped to just 12% following the TCJA's passage. This sentiment amongst manufacturers was also reflected in economic impact projections prior to the passage of the OBBBA; for example, an NAM study conducted with Ernst & Young LLP found that the expiration of pro-manufacturing TCJA provisions would have resulted in the loss of 5.9 million jobs, $540 billion in employee compensation, and $1.1 trillion in U.S. GDP. The manufacturing sector would have been disproportionately impacted by these expirations. In our sector alone, 1.14 million manufacturing jobs would have been at risk, potentially impacting $126 billion in manufacturing worker compensation and $284 billion in manufacturing output. The potential several million in additional taxes on Sylvamo next year would have directly undermined our ability to make the new investments in South Carolina that are underway. With the passage of the OBBBA, Congress not only prevented this devastating economic impact, but built on the success of the TCJA to further incentivize job creating investment in the U.S.

While the international tax reforms were built on the foundation of a competitive 21% corporate rate, each provision independently contributed to a more competitive international tax system. As the Coalition for American Innovation pointed out, royalty payments to the U.S. were 80% higher in 2021, at $385 billion, than the expected royalty income of $212 billion without FDII. This rise in gross corporate royalty income reflects the repatriation of intellectual property by American companies. Similarly, GILTI and BEAT replaced a burdensome system that kept trillions of dollars locked-out from being repatriated at a 35% corporate tax rate, while setting a tax floor for low-tax jurisdictions and creating incentives against base erosion and offshoring. Since this system was put in place, the corporate inversions that were common before the TCJA have effectively come to a halt.

The new NCTI and FDDEI regime will build on this success, further enhancing the tax incentives to make things in America. For example, by improving the relation between NCTI taxes and the Foreign Tax Credit by modifying the allocation of expenses in relation to the FTC limitation, and by reducing the foreign tax credit haircut from 20% to 10%, NCTI avoids certain scenarios that would impose a uniquely high tax burden on some global manufacturers, in many cases well above the global minimum tax regime contemplated under Pillar Two. For Sylvamo, we have paid GILTI taxes despite operating exclusively in high tax jurisdictions and with limited intangible income because of how expenses were allocated before the OBBBA. GILTI was a significant improvement over the preexisting international tax regime, and the OBBBA's NCTI was again a further improvement over GILTI. This iterative process of trial and modification, where informed theory is then tested in the real world and adapted according to the data, is a prime example of thoughtful legislating, and manufacturers are thankful for Congress's successful efforts to implement a competitive international tax regime.

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The evidence of these informed improvements is also reflected in FDDEI, where Congress further aligned the international tax code with President Trump's and Congress's intentional efforts to revitalize American manufacturing. By removing the requirement that companies reduce their FDII deduction by a portion of their qualified business asset investment, which included tangible property such as manufacturing facilities, manufacturers can continue to invest in the United States without those investments reducing their new FDDEI deduction. With NCTI similarly broadening to include tangible property, the "carrot and stick" concept that proved successful with regards to intangible property was expanded to support manufacturing investment in the United States.

In short, the TCJA implemented a competitive international tax system that supported manufacturers' efforts to invest and create jobs here at home—and the OBBBA then strengthened these provisions through both permanence and substantive improvements. These reforms changed the way foreign-sourced income earned by U.S. companies and their foreign subsidiaries is taxed, creating a far more competitive and desirable market in the U.S., making it easier and more cost-effective for manufacturers like Sylvamo to locate their headquarters, assets, and intellectual property here in the United States.

III. Congress's achievement in international tax reform was reinforced by the G7 agreement for a "side-by-side" global minimum tax regime for U.S. companies.

The implementation and improvement of the U.S.'s pro-growth international tax regime coincided with an international effort to impose a global minimum tax of 15% under Pillar Two of the OECD's inclusive framework. Sylvamo has been subject to significant compliance burdens as countries around the world implemented the Pillar Two global tax regime. The complexity of Pillar Two and the disparate treatment of U.S. tax incentives under the Pillar Two rules threaten to impose substantial new burdens on the ability of manufacturers to invest and compete.

Because of the disadvantage that Pillar Two's global tax regime would have imposed on U.S.-based companies, manufacturers supported congressional efforts to address the disparate global tax system. In addition to already having significant anti-base erosion and profit shifting measures in place, the United States would have been the most negatively impacted country by Pillar Two as a result of both the high-concentration of in-scope companies within its jurisdiction and the particular rules agreed to under Pillar Two, such as the Undertaxed Profits Rule (UTPR), which disfavors non-refundable tax credits. Non-refundable tax credits are a policy tool utilized by the United States to an extensive degree, underpinning decades of economic policy enacted by Congress to incentivize investment in national priorities. The most important non-refundable tax credit for manufacturers is the R&D tax credit. Accounting for 53% of all private sector research investment, manufacturers rely on research incentives such as the R&D credit to stay on the cutting edge of technological innovation. As mentioned previously, for Sylvamo, R&D is important for developing new paper grades, improving print performance, and reducing chemical and water usage.

Given the benefits of R&D to industry and society alike, most countries offer some version of a research tax incentive—but the Pillar Two rules would mean that many companies from the United States would be denied this commonsense, economically vital policy that is available to most other companies around the world. Specifically, implementing Pillar Two would empower foreign jurisdictions to tax U.S. companies to the extent that the R&D tax credit, along with other nonrefundable tax credits, would reduce their Global Anti-Base Erosion Rules (GLoBE) income tax

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liability below a 15% effective tax rate. The threats to manufacturing in America posed by Pillar Two and its extraterritorial reach would undermine U.S. competitiveness and harm manufacturers' ability to grow, invest, and thrive.

Fortunately, Congress and the Administration were able to achieve the best possible outcome on Pillar Two with only the threat of retaliation. During consideration of the OBBBA, Sylvamo welcomed Secretary Bessent's announcement of an agreement with the G7 to protect U.S. businesses from the costs and burdens of Pillar Two—and we support the Administration's efforts to negotiate a side-by-side system. While the Section 899 taxes likely would have been effective in prompting renewed negotiations over the discriminatory aspects of Pillar Two, it would have come at great cost to foreign investment in the United States, and the mere threat of its passage was sufficient for achieving the same objective to bring countries participating in Pillar Two back to the negotiating table. Foreign investment plays a significant role in the strength and growth of the American manufacturing sector. According to data from the Bureau of Economic Analysis, manufacturing accounts for $2.4 trillion of foreign direct investment, 42% of total FDI in the United States. This is far and away the highest FDI impact across all sectors, with the second- and third-largest industries accounting for just $599 billion and $521 billion in FDI, respectively. In short, FDI is particularly vital to the growth and success of America's manufacturing sector.

The historic achievement reached by Congress and the Trump Administration of reaching an agreement that accomplishes the objective of Sec. 899 without the corresponding impacts on foreign investment was a significant win for manufacturers in America. Now, it is critical that the deal be fully implemented according to the outline agreed to in June.

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Since our incorporation in 2021, Sylvamo's growth has been supported by a competitive, pro-growth tax code. Provisions such as immediate expensing for research, equipment, and facilities, a 21% corporate tax rate, and a modern international tax framework enabled us to invest and expand. A permanent, competitive tax structure is essential for continuing these job-creating investments. Thanks to tax provisions in the OBBBA, we are investing to expand our U.S. operations.

This substantial impact for Sylvamo is rippling throughout the manufacturing sector, with the expansion in investment capacity resulting from the OBBBA enabling thousands of manufacturers across the country to invest more in their communities, offer higher pay or better benefits to their employees, conduct cutting-edge research, and create jobs. Achieving the manufacturing revitalization that this Congress and this Administration seek begins with a tax code that supports manufacturing investment, and that's exactly what the One Big Beautiful Bill Act delivered. I thank Congress for this critical work, and I know Sylvamo and the manufacturing industry look forward to holding up our end of the bargain to deliver on the job-creating investments that the bill enables.