COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

February 10, 2023

Mathias Cormann
Secretary-General
Organization for Economic Co-operation and Development
2, rue André Pascal
75016 Paris

Dear Secretary-General Cormann:

If finalized, the Organization for Economic Co-operation and Development (OECD) global tax deal would result in fewer jobs and less prosperity for millions of American families. The technocrats negotiating this backroom deal in Paris have sought to attack the United States, and delegates from the Biden Administration have not stopped them.

The House Republican Majority rejects those failures by Biden Administration negotiators. We will hold the Biden Administration accountable and restore Americans' confidence in their government's ability to protect American interests on the world stage.

Because of Republican efforts, the United States implemented a strong global minimum tax (Global Intangible Low-Taxed Income or GILTI) more than five years ago. GILTI raises billions of dollars in tax revenue each year, protecting the U.S. tax base and preventing abusive tax practices by multinational corporations. Despite GILTI's success, no other country has chosen to implement a similar tax on their own companies.

We recognize the sovereign right of countries to adopt tax rules for their own companies and for activities within their own borders. We welcome countries' efforts to enact their own GILTI-type global minimum taxes. Regrettably, other countries are considering a GILTI-type global minimum tax only if they can also impose a new Under Taxed Profits Rule (UTPR) surtax on American companies.

This UTPR surtax is fundamentally flawed—and it will never be effective against companies backed by the Chinese Communist Party. Instead, the UTPR surtax will target important U.S. tax incentives—including the research and development tax credit—as well as the operations of American companies in third-party jurisdictions.

House Republicans will not tolerate such attacks. We will aggressively pursue tax and trade countermeasures to protect American jobs, sovereignty, and tax revenues.

Despite numerous reformulations, the OECD global tax deal fails to deliver on its most important objectives: eliminating discriminatory digital services taxes, strengthening the principles of cross-border taxation for a digitalizing economy, and ensuring fair treatment across countries. Instead, the OECD global tax deal reflects a tenuous political negotiation that relies heavily on U.S. concessions and allows China to gain a competitive edge in the global economy.

The United States provides 20 percent of the OECD's annual budget—nearly $80 million per year and twice as much as any other country. China provides no funding to the OECD. Yet China stands to gain market share and jobs, while Americans are expected to pay the tab for the OECD global tax deal. It is unclear why American taxpayers should continue funding a project that manifestly harms their own interests in favor of a competitor.

The OECD should reject all proposals that would allow other countries to attack American jobs and tax revenues.

Sincerely,

Jason Smith
Chairman
Committee on Ways and Means

cc: The Honorable Janet Yellen, Secretary, U.S. Department of the Treasury
The Honorable Katherine Tai, United States Trade Representative
Mr. Brian Deese, Director, National Economic Council