

US should stick with Pillar One negotiations, industry groups tell House taxwriters

Tax experts from several industry associations told members of the House Ways and Means Tax Subcommittee at a March 7 hearing that despite the flaws in the current multilateral tax agreement negotiated through the OECD, it is essential that the US remain at the table, and that having Congress more engaged could help make the deal better for the nation's consumers, multinational businesses, and the fisc.

Again and again, witnesses explained that the likely consequence of failure for what is known as Pillar One of the agreement—which would create new nexus rules for allocating taxing rights between countries—would be a proliferation of uncoordinated unilateral taxes on gross revenues that would largely fall on US-based multinationals. The witnesses also noted, however, that the agreement as currently drafted may not stop such discriminatory taxes.

JCT looks at revenue impact

A new report from the nonpartisan Joint Committee on Taxation staff that was released in conjunction with the hearing estimates that enactment of Amount A of Pillar One would have resulted in a US revenue loss of \$1.4 billion had it been in effect in 2021. The report also includes a range of estimates due to the “significant uncertainties” in the agreement, which has not been finalized. (Amount B of Pillar One is considered more likely to be a net revenue raiser for the US if widely adopted, but it is currently drafted as optional for countries rather than mandatory—an issue that witnesses at the hearing urged Congress to push back on.)

URL: <https://www.jct.gov/publications/2024/jcx-7-24/>

Republicans fault Treasury's negotiating style

A number of Republicans on the subcommittee blamed the Biden administration for negotiating a bad deal and leaving Congress out of the process. Rep. Carol Miller, R-W.Va., charged that the US Treasury Department officials involved “were either asleep at the wheel or actively undermining US companies,” given that the US is estimated to be a net revenue loser under the current terms.

Subcommittee Chairman Mike Kelly, R-Pa., noted that US adoption of Pillar One is necessary for the proposed system to work globally, and it is clear there is not sufficient Senate support right now to approve the multilateral treaty needed for implementation. (Treaties require a two-thirds majority to pass the Senate.) The House would also likely need to pass legislative changes to enable implementation.

“We all agree Congress has a role to play,” Kelly said.

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