



INSTITUTE OF INTERNATIONAL BANKERS

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June 11, 2025

Dear Senator Tillis,

The Institute of International Bankers (“IIB”) commends the efforts of the Administration and Congress, largely achieved through the enactment of the Tax Cuts and Jobs Act of 2017 (“TCJA”), to improve U.S. international tax rules, make the United States a more attractive location for investment by both U.S. and non-U.S. headquartered companies, and limit the “base erosion” of U.S. earnings resulting from abusive tax avoidance transactions.

We recognize and appreciate your ongoing efforts to ensure TCJA’s international tax provisions continue to operate as intended and advance Congress’ stated goals.

The introduction of the International Competition for American Jobs Act is a welcome step in improving the U.S. international tax rules enacted as part of the TCJA. In particular, we support the modifications to the Foreign Derived Intangible Income (“FDII”) and the Global Intangible Low Taxed Income (“GILTI”) rules to permanently extend the current law deductions for GILTI and FDII, as well as the proposal to reduce the foreign tax credit limitation baskets to simplify the tax code.

We further support the bill’s modifications to the Base Erosion and Anti-Abuse Tax (“BEAT”) rules to exclude payments which are subject to U.S. tax or substantial foreign tax. We believe that this provision furthers Congressional intent by focusing the BEAT on abusive tax planning by large multinationals to shift profits out of the U.S. and into low-tax jurisdictions.

Under the proposal, deductible payments made from U.S. companies to foreign affiliates are treated as “base erosion” payments only when the payments are subject to little or no U.S. or foreign tax. Importantly, this change would exclude ordinary course of business payments that lack any base erosion motive from BEAT.

For example, assume an ordinary course of business expense payment by a U.S. company to its foreign affiliate non-US jurisdiction that is subject to income tax rate of 25% (the country’s “all in” statutory rate – i.e., inclusive of national and canton (or



similar member state) taxes), which is higher than the federal tax benefit of 21% that the U.S. company would receive for a tax deduction on the payment. The place and jurisdiction of the recipient foreign affiliate in this case is not driven by tax considerations or base erosion planning.

In fact, most major financial services hubs, which dictate the location of these related party transactions, are located in higher tax rate jurisdictions.

In this case, the significant tax rate imposed on the payment received by the non-US jurisdiction effectively demonstrates that the payments are entered into for valid business reasons, having nothing to do with the U.S. tax liability or any base erosion motive. Excluding these deductible payments from the BEAT aligns the existing rules with Congressional intent to limit the “base erosion” of U.S. earnings to abusive tax avoidance transactions.

Finally, we appreciate the changes that would fix BEAT’s unfair treatment of tax credits, such as low-income housing tax credits (LIHTCs), which would encourage the continued use of these credits.

The IIB wishes to express its appreciation for your efforts to improve U.S. international tax rules. We greatly appreciate the opportunity to provide comments and offer our support for the International Competition for American Jobs Act.

We thank you for your consideration and we remain at your disposal to provide additional information or assistance that you might find helpful. We would appreciate the opportunity to provide any additional comments as they arise should you have any questions or comments.

Sincerely,

A handwritten signature in blue ink that reads 'Beth Zorc'.

Beth Zorc
Chief Executive Officer, IIB