

January 17, 2014

The Honorable Max Baucus  
Chairman  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Orrin Hatch  
Ranking Member  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Senators Baucus & Hatch:

As champions of manufacturers, fishermen and farmers, we ask you to stand by the American exporting community and oppose efforts to raise taxes on this vital part of the economy.

Section 91 of the international discussion draft released by the Senate Finance Committee would, among other changes, repeal the interest charge domestic international sales corporation structure (IC-DISC) beginning in 2015. The Committee should reject this proposal. If enacted, it would sharply increase the top tax rates paid on dividends earned by exporters who use an IC-DISC to make their American-made products more competitive.

Raising tax rates on American exporters makes little sense. The Committee's goal for tax reform is to make the U.S. a more attractive place to invest while reducing the incentive for firms to move jobs and facilities overseas. The IC-DISC was enacted back in 1984 to accomplish exactly these goals. According to the Joint Committee on Taxation, "IC-DISC was intended to increase U.S. exports and provide an incentive for U.S. firms to operate domestically rather than abroad." Repeal of the IC-DISC, on the other hand, would have exactly the opposite effect by raising taxes on dividends derived from exporting activity.

This issue is of great importance to America's manufacturers. According to a survey of small and mid-size manufacturers by the accounting firm RSM-McGladrey, nearly 20 percent of respondents said they utilize the IC-DISC to make their exporting business more competitive. These companies are exactly the type of manufacturers Congress has sought to assist in the past, and these are the companies that should be helped through tax reform, not hurt.

The essential characteristics of the IC-DISC structure makes it an ideal means of promoting U.S. products overseas. The lower rate applies to dividends from export income only, while the structure of the IC-DISC lends itself to small and closely-held businesses. It helps small and closely-held firms compete in overseas markets against competitors who often benefit from specific, targeted subsidies. The IC-DISC helps level the playing field between our exporters and their foreign competition.

The undersigned associations, representing thousands of American exporters and their employees, implore you to preserve the IC-DISC structure. At a time when American manufacturers and American agriculture are under unprecedented pressure from overseas competition, Congress can ill-afford to unilaterally repeal the most effective export policy remaining in the tax code.

The IC-DISC was enacted to help American exporters survive and create new jobs here in the United States and it should be preserved. Thank you in advance for standing up for

American manufacturers and other job creators and opposing efforts to take this benefit away from small and closely-held exporters.

Sincerely,

AMT-The Association for Manufacturing Technology  
At-sea Processors Association  
Financial Executives International  
Freezer Longline Coalition  
Groundfish Forum  
Indiana Manufacturers Association  
Manufacturers Association of Central Florida  
Metal Service Center Institute  
National Small Business Association  
National Tooling and Machining Association  
Northwest Horticultural Council  
Precision Metalforming Association  
S Corporation Association  
Small Business Exporters Association  
Utah Manufacturers Association  
West Coast Seafood Processors Association