Oppose Changes in the Taxation of Global Intangible Low-Taxed Income (GILTI)

American Chemistry Council

GILTI was enacted as part of the Tax Cuts and Jobs Act (TCJA). **It is a unique tax affecting U.S. companies and imposing costs that make them less competitive versus foreign companies** while inhibiting domestic employment. Some policymakers have proposed doubling the GILTI rate from 10.5% to 21%. This change would have the effect of shrinking U.S. investment and jobs linked to profits earned overseas. **Costs to the U.S. chemical industry would be about $1.37 billion per year.** ACC opposes changes that would amplify the tax burden or administrative complexity of GILTI.

GILTI was intended to prevent tax base erosion from the transfer of intangible, income-producing assets (e.g., patents) to subsidiaries in low-taxed countries. While the goal was to target low-taxed income, GILTI's interaction with existing law results in an increased burden on foreign earnings that already face high levels of taxation. **GILTI is imposed only by the United States and hinders domestic employment linked to exports, R&D, and support for overseas operations.**

OTHER PROPOSED CHANGES

Some policymakers want to eliminate the exception for qualified business asset investment (QBAI). QBAI is depreciable tangible property used in trade or business. Under current law, GILTI taxes income in excess of 10% of QBAI. The plan would eliminate the 10% deduction for QBAI, **which would increase GILTI and the amount of tax due, further eroding U.S. competitiveness.**

Some policymakers want to require that GILTI be computed on a country-by-country (CBC) basis. Changing GILTI to a CBC system would be difficult and costly to implement and could further disadvantage manufacturers such as chemistry companies. A controlled foreign corporation should be allowed to carry forward tested losses and foreign credits. **Otherwise, U.S. businesses will be disadvantaged overseas in pricing in a foreign market.**

Survey Findings

The American Chemistry Council (ACC) **conducted a survey of its member companies in June of 2024** to understand the effects of key provisions of the TCJA on their businesses and the likely impacts if these provisions are repealed or allowed to expire.

Impact of GILTI Rate Increase to ACC Members

"The proposed changes to GILTI **will make it more difficult for the U.S. chemical industry to compete in the global economy.**"

"**Maintaining the GILTI and FDII rates at current levels** is critical to our company."

52% of companies say the failure to prevent an increase in the GILTI rate **would decrease their company's global competitiveness.**

19% of companies say the failure to prevent an increase in the GILTI rate **would lead to reduced capital investment in the U.S. by their company.**

11% of companies say the failure to prevent an increase in the GILTI rate **would lead to their company reducing/offshoring U.S. operations.**

11% of companies say the failure to prevent an increase in the GILTI rate **would lead to reduced hiring by their company.**

7% of companies say the failure to prevent an increase in the GILTI rate **would lead to reduced investment in R&D by their company.**

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