



December 3, 2025

The Honorable Mike Kelly
Chairman
Subcommittee on Tax Policy
U.S. House of Representatives
Washington, DC 20515

The Honorable Mike Thompson
Ranking Member
Subcommittee on Tax Policy
U.S. House of Representatives
Washington, DC 20515

RE: Hearing Titled, “Promoting Global Competitiveness for American Workers and Businesses”

Dear Chairman Kelly and Ranking Member Thompson,

On behalf of the Financial Accountability and Corporate Transparency (FACT) Coalition, we appreciate the opportunity to comment on your hearing assessing the effects of U.S. tax policy on American workers and businesses. The FACT Coalition is a [non-partisan alliance](#) of more than 100 state, national, and international organizations campaigning for a fair international tax system, and has been a leading voice [calling for commonsense tax reforms](#) to curb the outsourcing of American jobs.

While the 2025 tax reform made modest changes to curb outsourcing incentives in the U.S. corporate tax system, it left the most significant of these incentives in place and introduced new ones. These include:

- The preferential tax rate for business income earned abroad (known as NCTI, formerly GILTI), which amounts to a nearly half-off discount. While some companies move profits exclusively “on-paper” to earn this tax discount, some – notably in the [pharmaceutical](#) and other advanced manufacturing sectors – fully outsource important production activities, and are subsequently rewarded by our tax code.
- A provision that exempts [the foreign oil and gas extraction income](#) of domestic companies from U.S. taxation. This exemption is particularly galling in the case of the oil and gas industry, which has seen [widespread layoffs](#) of domestic workers in recent months, notwithstanding windfall gains expected to arise from the passage of the 2025 tax law.
- [Taxpayer-favorable changes](#) introduced in the 2025 tax reform, which provide for more generous foreign tax credits. These changes exacerbate existing incentives for companies to blend foreign income from both low-tax and high-tax jurisdictions, further rewarding the abuse of tax havens.

Despite small steps forward in the 2025 tax law, we must urgently improve the way we tax our multinational corporations. Such reform must end all offshoring incentives, including fully eliminating the preferential tax rate on foreign corporate earnings, and align the U.S. with international standards designed to discourage profit-shifting to tax havens.

A recent FACT publication detailing the tension between the administration's tax and trade policies is attached below. With the exception of references to the U.S. minimum tax regime's structural discount for foreign production facilities – since repealed by the 2025 law – the content of the publication and associated policy recommendations remain as relevant as ever today.

Thank you for the opportunity to comment. If you have questions, you can contact Zorka Milin (zmilin@thefactcoalition.org).

Cc: The Honorable Jason Smith, Chairman, Ways and Means Committee

Cc: The Honorable Richard Neal, Ranking Member, Ways and Means Committee

Annex: Step One to Saving Domestic Manufacturing? Stop Giving Tax Breaks for Offshoring

By Thomas Georges & Zorka Milin

[Originally posted on the FACT Coalition website on April 9, 2025](#)

While global markets reel from the impacts of the President’s sweeping tariffs, many lawmakers and investors have reacted with disbelief and outrage at the scale and scope of the new levies. The Administration insists that, however bad any “[transition period](#)” following the imposition of tariffs may be, it is a small price to pay to revive U.S. domestic manufacturing and jobs.

Whether or not the tariffs are ultimately effective, they are meant to react to [a very real problem](#): the decades-long collapse of what was once a dynamic U.S. manufacturing base. As the largest U.S. companies – invariably multinational corporations – have grown since the turn of the century, they have increasingly shifted production overseas in search of cheaper labor and, crucially, bigger tax breaks.

Rather than discouraging offshoring, our tax code has for decades rewarded it. With major tax reform on the horizon this year, Congress has a generational opportunity [to fix these perverse tax incentives](#) once and for all.

The 2017 Tax Reform: One Step Forward, One Step Back

The signature legislative achievement of the first Trump Administration was the 2017 tax law, which, among many other changes, dramatically reshaped how the U.S. taxes the foreign profits of domestic multinational corporations.

Before 2017, the profits that U.S. multinationals earned abroad – whether through foreign production or strictly “on paper” accounting gimmicks meant to avoid taxes – were not taxed by the U.S. until they were returned onshore. Under this deferral system, companies had a clear incentive to book and keep their profits abroad rather than invest in domestic operations and job creation. This system also drained revenue, as companies were able to delay their U.S. tax liability indefinitely in some cases, leaving the U.S. to rely on repatriation tax holidays and other gimmicks to subject these offshored profits to any level of domestic taxation at all.

The 2017 tax reform was a major improvement on this inefficient and unfair international tax system, replacing taxation upon repatriation with a groundbreaking new minimum tax on almost all foreign profits of American companies, due immediately in the same year, called the [Global Intangible Low-Taxed Income \(GILTI\)](#) regime. While this new policy sought to cut down on multinational tax avoidance, it also introduced brand new incentives for offshoring.

A Tax Break for Foreign Factories

When it comes to promoting and protecting U.S. manufacturing, GILTI's first failure was that it was only intended to target profits derived from intangible assets like patents and copyrights, given that such assets are especially easy to move across borders and play international tax games with.

As such, GILTI provides a flat percentage discount to firms based on the value of their tangible assets like factories and equipment in foreign jurisdictions. Such foreign investments don't even have to be profitable – merely building factories anywhere outside the United States is enough to lower their U.S. tax bills. The problem here is obvious: the more that American companies invest in jobs and production abroad, the bigger their U.S. tax break.

No surprise, then, that plenty of companies choose to manufacture their products abroad, even when they plan to sell those products to American consumers. [Big pharma companies, in particular, regularly pay no U.S. tax](#) – often even booking a tax loss in the U.S. – despite making the vast majority of their sales to American patients, who pay some of the highest prices for lifesaving drugs in the world. Because many of these companies largely produce outside of the United States (or in Puerto Rico, which is considered to be a foreign jurisdiction for tax purposes), they get a big discount on GILTI due to their heavy investment in foreign production facilities. Under the 2017 law, they have no incentive to re-shore the production of drugs that are largely intended for the U.S. market.

A Half-Off Tax Break for Profits “Anywhere But Here”

Another problem with the 2017 tax reform is that it established a substantially lower tax rate for foreign income, with GILTI taxable at just half the rate that would apply if the income were domestic.

You're not reading that wrong. The tax rate that U.S. multinationals – some of the largest and most successful companies in the world – pay on their foreign profits is half what they would pay at home.

This is, very clearly, an America-last tax policy: one that actively discourages companies from investing in manufacturing capacity within our borders. To encourage domestic manufacturing – as the Trump Administration's tariffs seemingly aim to do – American corporations should not be given a lower tax rate for their foreign profits than those they earn at home.

Once again, pharmaceutical companies provide a perfect example of how these perverse incentives leave ordinary Americans on the hook. Instead of producing drugs meant for the domestic market here at home, many pharma companies move production to notorious tax havens like Puerto Rico, Switzerland, Singapore, and [\(as President Trump recently noted\) Ireland](#), only to sell those products back to Americans at an extortionary markup – a practice euphemistically called “roundtripping” – all while getting a half-off tax discount for producing offshore.

The Obvious Solution, and Opportunity, in 2025

The American people know that these policies are wrong. [Recent polling](#) by conservative firm McLaughlin and Associates shows that 87 percent of likely voters agree that “the U.S. tax code should support U.S. manufacturing and jobs, rather than rewarding big American companies that ship operations overseas.” Luckily, the scheduled expiration of much of the 2017 tax reform at the end of this year presents lawmakers with a perfect opportunity to end offshoring incentives in our tax code.

The half-off GILTI discount is already scheduled to get smaller at the end of 2025. Rather than extending the current generous discount, [as certain special interests are demanding](#), Congress should eliminate it altogether and close the gap between the tax rates on foreign and domestic corporate income. Anything less would undercut the Administration’s stated interest in reviving domestic manufacturing by keeping a thumb on the scale for corporate offshoring.

These reforms are not only good policy – promoting U.S. manufacturing and jobs, raising substantial revenue to pay for shared priorities, and providing a fair playing field for smaller domestic businesses – they’re also common sense. Corporate profits cannot be the end-all-be-all of tax policy: America’s long-run prosperity depends on a strong economy powered by good-paying domestic jobs, and our tax code should support that goal. As Congress considers its tax reform package this year, they have an opportunity to prove their commitment to truly putting America first.