UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS

March 23, 2020

The Honorable Steven T. Mnuchin
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Mr. Secretary,

USCIB is writing to highlight high-level concerns that have arisen as a result of the global pandemic. USCIB believes that the primary business tax policy goals at this time should be preserving short term liquidity and employment. We, therefore, make the following recommendations:

1. Adopt policies that relieve stresses on cash flow by allowing businesses to defer payments of direct taxes (including section 965 liability) and extend carryforward and carryback period for NOLs, etc.

    - Reason for the policy: Cash flow and access to cash facilities will be under severe stress during this crisis, and without relief, employment and continued business activity will be endangered.

2. Adopt policies to treat employees as continuing to work in the location where they worked prior to Covid-19 for purposes of (1) assessing corporate income tax liability, (2) determining the existence of permanent establishments, nexus or substance, (3) determining employee individual tax liability, (4) determining employer payroll tax liability or (5) determining sales tax/VAT on cross-border services.

    - Reason for the policy: Covid-19 has abruptly and dramatically changed where people work due e.g. to travel restrictions, borders closing and guidance to remain at home. In many cases, workers live across a border from their office.

3. Adopt credits or other incentives for new manufacturing in the US (including Puerto Rico) for medicines, medical supplies and diagnostics

    - Reason for the policy: Ensure a reliable supply of medicines, medical supplies and diagnostics from domestic sources.

4. Adopt policy enhancing incentives for contributions of medicines, medical supplies, diagnostics, and required relief-related supplies

    - Reason for the policy: Section 170 of the Code limits a corporation's charitable deductions to 10% of its taxable income. In this time of economic uncertainty, corporate contributions should be maximized, regardless of taxable income. We appreciate the proposal in the Senate bill to raise the cap to 25%. Moreover, the incentive for inventory contributions under section 170(e)(3) should be amplified by removing the cap equal to twice cost of goods.

5. <u>Postpone OECD workstream on taxation of the digital economy for at least six months.</u>

    - Reason for the policy: While international tax consensus remains a critical goal, governments and taxpayers need to channel their resources to addressing the Covid-19 pandemic. It is not prudent to drive 135+ countries toward international consensus during a global pandemic when governments must prioritize responding to the crisis, companies are under extreme strain and travel is not possible. The G20 and the OECD should reassess as better information on the health and economic impacts become available and determine whether an additional postponement is required. Implementation of unilateral actions should also be suspended.
    - We recognize that the OECD may determine that staff is not needed for other efforts related to Covid-19 and that they therefore may continue to work on technical details of the Pillar proposals.

Sincerely,

Peter Robinson
President and CEO

William J. Sample
Chair, Taxation Committee

Cc: Lafayette (Chip) Harter, Deputy Assistant Secretary, International Tax Affairs