# COULD YOU BRING PROFITS HOME AND CREATE JOBS?

In this hard time of having slow growth, record debt, and high unemployment, there has been a renewed push by many people on Capitol Hill to give the companies a tax break if they bring their foreign profits home. The only problem with that is that there is very little agreement on whether a foreign profits tax break would help the economy or not. Proponents from both the left and the right side say that it could create jobs and boost revenue. Also, critics from both the left and the right side, say that it would do just the opposite, by costing the economy jobs and the government revenue. Just this week, while Senate Democrats Carl Levin and Kent Conrad sent a letter urging the panel to reject it, a group of fiscally conservative House Democrats sent another letter to the congressional debt committee endorsing the idea. And both the left and the right sides are pointing to various studies of a repatriations tax holiday in 2004 to bolster their case. By offering U.S. based companies a lower tax rate on those earnings than the 35 percent imposed on profits made on the U.S. soil, Bipartisan bills in the House and Senate could coax those companies to bring home profits they made abroad. Seeing as, right now, the earnings you make abroad are not subject to U.S. tax until they're ''repatriated'' through the distribution of the dividends from the company's foreign subsidiary to the parent corporation. Proponents of the tax break say that, as a result, companies have more than $1 trillion ''trapped'' abroad in low-tax countries. But they argue, that the money could be put to much better use in the U.S. economy. Corporate tax expert Edward Kleinbard, who is a former chief of staff for the Joint Committee on Taxation, say that even though it may sound logical, the truth is that the money is not really locked out of the United States at all. ''A large portion of these earning is kept in liquid investments, and those in turn invariably are in U.S. dollar liabilities of U.S. borrowers, like U.S. bank deposits, commercial paper, and Treasuries. All those investments already are fully at work somewhere in the U.S. economy,'' says Kleinbard. And another thing, Kleinbard says, the large multinational corporations that would benefit most from a repatriation holiday are not exactly lacking in the cash department. Actually, it's quite the opposite, they have a lot of money sitting on the sidelines and have access to low-cost debt financing. So, if they really wanted to make more of an investment on U.S. soil, they most definitely could, Kleinbard notes. Sen. Levin chairs the Senate's permanent subcommittee, which released a report this week that said the 2004 tax holiday resulted in a loss of nearly 21,000 jobs among the top 15 repatriating corporations, and cited other studies which found no evidence that the holiday increased overall employment.