Foreign Earnings Reinvestment Act

Sen. Kay Hagan (D-NC) and Sen. John McCain (R-AZ)

The bipartisan Foreign Earnings Reinvestment Act encourages American companies to bring overseas earnings back to the United States and creates strong incentives for those firms to invest these earnings in US employees.

Tax Rate:

- The Foreign Earnings Reinvestment Act reduces the 35 percent corporate rate to an **8.75 percent effective rate** on foreign earnings brought back to the United States. The rate is achieved through a temporary dividends received deduction (DRD) of 75 percent.

Job Creation Incentives:

- The Foreign Earnings Reinvestment Act allows firms to obtain up to a **5.25 percent effective repatriation rate** if they expand their U.S. payroll during 2012.
    - *Minimum Effective Rate*– The lowest repatriation rate can be achieved incrementally in accordance with expanding qualified payroll – through net job creation or higher employee pay. In order to receive the lowest repatriation rate, a company would have to increase its "qualified payroll" by 10%.
    - *"Qualified payroll"* – All wages paid to employees that are subject to payroll tax.

Penalty for Job Cuts:

- The proposal discourages firms from reducing employment by including in a company's gross income calculation **$75,000 per full-time position that is eliminated.** .