



The Honorable Suzan DelBene
U.S. House of Representatives
318 Cannon House Office Building
Washington, DC 20515

Re: Comprehensive Tax Reform

Dear Representative DelBene:

I write on behalf of the Washington Technology Industry Association (WITA) to express support for a long overdue overhaul of the U.S. tax code in a manner that does not discriminate against innovation, which is the lifeblood of over 10,000 technology companies in Washington State and over 800,000 workers statewide.

The antiquated U.S. corporate income tax system is not competitive with the tax systems of our major trading partners, including Canada, and discourages deployment of foreign earnings in the United States. As part of comprehensive tax reform, the U.S. should enact a competitive tax rate and a properly designed international tax system allowing U.S. businesses to compete in global markets and deploy earnings in the U.S. with minimal tax friction. Tax reform legislation should not discriminate against particular types of income, such as income from intangible property.

The outdated U.S. international tax system has not kept pace with significant changes in the global economy over the past 50 years. Our major trading partners, including Canada, have significantly lower corporate tax rates and territorial tax systems that impose little or no residual home country taxation on foreign earnings. These territorial tax systems provide a competitive advantage to companies headquartered in those countries, which operate in both foreign and U.S. markets making it more difficult for U.S. companies to grow and compete at home and abroad.

We are encouraged that policy makers may soon consider tax reform legislation to lower the high corporate tax rate and move to a competitive international tax system. However, we are concerned with "anti-base erosion" proposals that would treat profits from intangible property differently and subject such profits to a higher rate of tax than other types of profits, resulting in discrimination against U.S. businesses dependent on innovation that operate at home and abroad.

If Congress is concerned about base erosion relating to mobile and passive income, it should consider broad based approaches that address the issue rather than target income from intangible property which is a mere subset of mobile and passive income. Tax reform proposals that discriminate against income from intangible property will disadvantage innovative companies headquartered in the U.S., will encourage entrepreneurs to incorporate innovative

businesses outside the U.S., will discourage future R&D investment in the U.S., and will result in increased tax controversies between taxpayers and the Internal Revenue Service regarding what is and what is not an intangible and the attribution of profits to such intangible property. This would be bad for U.S.-based innovation companies with intangible property income, the Washington State and U.S. economies, and for U.S. jobs.

We urge you to support much needed comprehensive tax reform that does not discriminate against income from intangible property.

Sincerely,



Michael Schutzler, CEO
Washington Technology Industry Association