H. Res. 705

In the House of Representatives, U.S.,

July 14, 2004.

Whereas the World Trade Organization does not permit direct taxes, such as the corporate income tax, to be rebated or reduced on exports;

Whereas indirect taxes, such as a value added tax, can be and are rebated on exports in other countries;

Whereas the distinction by the World Trade Organization between direct and indirect taxation is arbitrary and may induce economic distortions among nations with disparate tax systems; and

Whereas United States firms pay a high corporate tax rate on their export income and many foreign nations are allowed to rebate their value added taxes, thereby giving exporters in nations imposing value added taxes a competitive advantage over American workers: Now, therefore, be it

Resolved, That the President—

(1) within 120 days after the convening of the 109th Congress, and annually thereafter, should report to Congress on progress in pursuing multilateral and bilateral trade negotiations to eliminate the barriers de-

scribed in section 2102(b)(15) of the Trade Act of 2002; and

(2) within 120 days after convening the 109th Congress, should report to Congress on—

(A) proposed alternatives to the disparate treatment of direct and indirect taxes presently provided by the World Trade Organization; and

(B) other proposals for redressing the tax disadvantage to United States businesses and workers, either by changes to the United States corporate income tax or by the adoption of an alternative, including—

(i) assessing the impact of corporate tax rates,

(ii) a system based on the principal of territoriality, and

(iii) a border adjustment for exports such as is already allowed by the World Trade Organization for indirect taxes.

Attest:

Clerk.