Electronic Industries Alliance

2500 Wilson Boulevard
Arlington Virginia 22201-3834
703-907-7500
fax 703-907-7514
www eia org

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The President's Panel on Federal Tax Reform
1440 New York Ave , N.W.
Suite 2100
Washington, DC 20220

Dear Chairman Connie Mack, Vice-Chairman John Breaux and Distinguished Panelists:

I write today on behalf of the Electronic Industries Alliance (EIA) regarding your consideration of the current U.S. tax code and potential changes that might make it more equitable, and I enclose a copy of EIA's tax principles recently codified by our membership. EIA is a partnership of electronic and high-tech associations and companies, representing the full spectrum of U.S. technology manufacturers. The Alliance comprises nearly 1,300 member companies whose products and services range from the smallest electronic components to the most complex systems used by defense, space and industry, including the full range of telecommunications equipment and consumer electronics

We believe the U.S. can be a more competitive country for high-tech companies to do business in if any comprehensive tax code reform measures undertaken incorporate "innovation acceleration" principles. Those principles include recognition of the valuable contribution of capital investment by business, incentives for research and development, elimination of double taxation, and stability that allows for better long-term business planning. The U.S. would greatly benefit from tax rules that better compete with the systems developed by other innovation nations, which are recruiting more business and high-tech activity through favorable policies.

EIA supports tax reform that creates more incentives for innovation and a better climate for business competitiveness in the U.S., and we believe the tax principles we have crafted can be followed to reach these twin goals. In today's global marketplace, the U.S. can compete more effectively if it treats industry in ways that expand prospects for innovation rather than deter them.

I hope you find the enclosed principles useful as you continue your consideration of changes to the federal tax code. If you have any questions or would like to discuss any portion of our comments, please do not hesitate to contact me directly or Storme Street of my staff at 703-907-7759

Sincerely,

Dave

Dave McCurdy
President and CEO

CC: Jeffrey F. Kupfer, Executive Director

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Tax Reform Principles
March 2005

The Electronic Industries Alliance, which represents nearly 1,300 U S. companies across the broad spectrum of electronics and high-tech sectors, appreciates the many steps taken in recent years to enhance business competitiveness, encourage investment and reward savings through improvements to the U.S tax code. As our industry operates within an increasingly complex and competitive global marketplace, we believe there are additional measures that would further improve our system and level the worldwide playing field. As policymakers consider further reform, EIA believes the following principles should be used to measure efficacy and merit:

1. Tax reform should foster economic growth and enhance the ability of U.S. companies to compete at home and abroad. U.S rules must be competitive with the systems of other countries, particularly those of our key trading partners, and it is essential to eliminate cases of double taxation, which unduly burden companies and put U.S taxpayers at a competitive disadvantage globally. In addition, the U S system must not incentivize companies to keep as much of their income as possible overseas in more tax-friendly markets. Lowering the effective corporate tax rate would exponentially benefit the U.S. economy.

2. The tax code must provide stability and certainty, allowing companies to engage in more efficient tax and business planning and ensuring transparency for investors. It is important that any reform measure should also ensure adequate transition periods, allowing reasonable treatment for those who have established business and tax plans within the bounds of the current rules

3. U.S. tax policy should recognize the critical contribution of research and innovation and should provide reasonable incentives that encourage individuals and companies to innovate.

4. Any reform measure should encourage domestic investment, including foreign direct investment. It is critical that the tax code recognize the economic and social contributions of all U.S. employers, including the U.S. subsidiaries of foreign-owned corporations The system should be equally fair and neutral for employers of all sizes.

5. Any changes in the tax code should seek to eliminate complexity wherever possible For example, it is critical to eliminate the burden of the corporate and individual Alternative Minimum Tax, which impact more U.S. taypayers each year. This complex second tax system has a perverse impact on companies by increasing their taxes when there is an economic downturn.

6. U.S. tax policy should be designed to maximize growth of the economy and facilitate investment in the future health of the nation through measures that encourage capital spending.

2500 Wilson Blvd., Arlington, VA 22201
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