THE HILL

Help workers hurt by 'tech tilt' tech-friendly tax reform

BY JAMES A. WILCOX, OPINION CONTRIBUTOR — 11/28/17 04:20 PM EST
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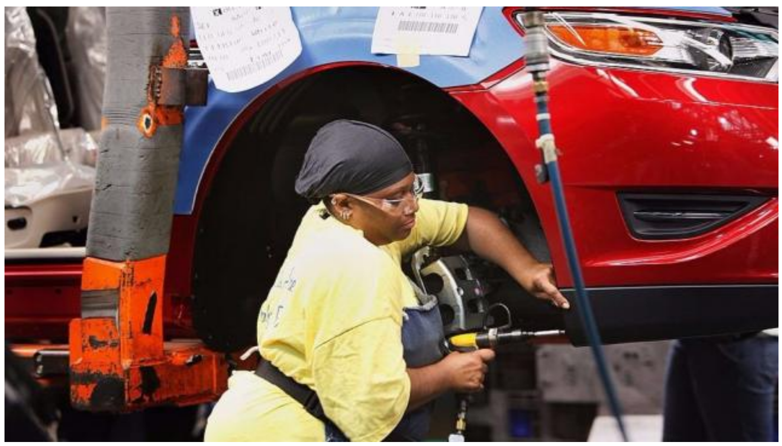

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The same sector of the economy that has displaced and discouraged millions of American workers should get an extra tax break — for making investments to boost the productivity of workers who are on the downside of the "tech tilt."

This counterintuitive proposal enlists the minds and money of the tech sector to raise the incomes and the hopes of those that tech has unintentionally left behind. And it's aimed at just the sector that has so far avoided paying U.S. taxes on foreign earnings to boot.

The key is the extra tax reduction for repatriated foreign earnings that are invested in ways that will lift up those who have been, and will be, on the downside of the "tech tilt," which has lifted some workers but let down many more.

The tech sector has delivered marvelous innovations for use at work, home and everywhere else. Tech has succeeded wondrously in bringing us more, better and lower-cost products and services. It has raised productivity and earnings —in particular for the skilled, the educated and the young.

At the same time, it has depressed demand and earnings for many others. Unless incentives are increased, it is virtually certain that this "tech tilt" will continue to bring benefits to some and exacerbate the plight of others.

So, perhaps it is ironic that an additional tax cut that is aimed especially at the tech sector would be advocated as a way to raise the productivity — and thus the jobs, earnings prestige and optimism — of the workers and small businesses who have, so far, been on the downside of the tech tilt.

Because of its capabilities, the tech sector itself may in fact be the best tonic for tech-depressed earnings. After all, who better to generate tech-related inventions and processes to boost productivity? And who better to choose and invest in them?

Involvement and investment by and for all of us

The tech sector is where foreign earnings, targeted tax cuts and innovations to offset the tech tilt come together. As it happens, some of the most innovative and profitable U.S. businesses, such as Apple, General Electric, Google and Microsoft, also have the most earnings that are “trapped” abroad.

Subject to various terms and conditions, the proposed tax rates on repatriated earnings now under serious discussion are in the range of 10-12 percent. My proposal would lower the tax rate on repatriated earnings to 12 percent with the option to be much lower.

Under my proposal, repatriating corporations would earn tax credits equal to 50 percent of their qualified investments in businesses that pursue tilt-reducing innovations, which could reduce the net tax rate on repatriated foreign earnings to as little as 9 percent.

Suppose that $100 billion of corporations’ foreign earnings was repatriated in the first year and that they paid $12 billion more in corporate taxes to the Treasury. Under my proposal, they could earn tax credits equal to 50 percent of their investments in qualified “National Income Securities” (NIS).

Thus, if they purchased and owned $6 billion of NIS, repatriating corporations would earn tax credits of $3 billion. Credits would be capped at one-quarter of taxes paid on repatriated earnings. In that case, the net tax rate on repatriated earnings would fall to only 9 percent.

Corporations would be allowed to choose for themselves which NIS to purchase for up to half of their tax-credit-earning, qualified investments. Then, their remaining qualified investments would consist of shares in a mutual fund comprised of qualified investments, the Income Securities Fund (ISF). The ISF would consist of NIS investments selected by a public agency from its much-longer list of qualified investments.

The public should also be invested in the rewards and risks of the NIS. Thus, I propose that the U.S. Treasury allocate one-quarter of its $12 billion repatriation tax revenue (i.e., $3 billion) to purchase shares in the Income Securities Fund. When added to corporations’ ISF investment, the ISF would have at least $6 billion to fund tilt-reducing investments.

One way to qualify investments

The selecting agency would solicit and evaluate proposals for technologies and business processes that aim to reduce the tech tilt. Investment proposals deemed to qualify could then issue “National Income Securities.” Some existing or new agency, such as the National Science Foundation, with its strong reputation for evaluating research and development proposals, would handle the qualifying process.

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While anyone could propose investments to become qualified as National Income Securities, repatriators' investments would be at arm's length and have holding periods of at least five years. NIS investments owned by tax-credited corporations would at least initially have restricted voting and control rights.

Research and development (R&D) efforts, whether sponsored by the private or the public sector, have long been aimed at particular targets. To direct resources toward our nation's goals, the federal government already evaluates and directs R&D efforts toward national security, healthcare, space and basic science.

Some of the scions of science and silicon similarly direct R&D spending. Benioff, Bezos, Gates, Zuckerberg and others target their billions for R&D and other efforts to improve lives worldwide.

Doing more … and better

Completely unintentionally, the tech sector has tilted the economic playing field and will tilt it more. Like any public policy, this paired policy would have costs, rewards and risks. We have seen the results of not having policies that tackle the tech tilt.

We all have a stake in boosting the productivity of workers hurt by the tech tilt. The nation benefits when workers produce earnings and hope for their families. By reducing outcomes that are widely perceived to be unfair, better policies reduce the risks of unproductive and unwise policies, policies that are likely to be worse for the tech sector in particular.

It is not too late to launch new ideas and new approaches; nor is it too late to bring together the interests of businesses and workers, the skilled and the unskilled, those on the upside and the downside of the tech tilt.

Bringing together the untaxed foreign earnings and the potential for progress from the tech sector can bring incomes, perspectives and Americans closer together.

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President Trump early Wednesday shared videos appearing to show Muslims taking part in violent acts in a series of tweets amid his administration's tax reform push and a recent North Korean missile launch.

The videos were originally tweeted by Jayda Fransen, who is the deputy leader of the ultranationalist Britain First Party, which is often accused of having an anti-Muslim bias.
The first video retweeted by Trump appears to show a young mean assaulting another man on crutches, with the caption, "Muslim migrant beats up Dutch boy on crutches!"

> VIDEO: Muslim migrant beats up Dutch boy on crutches! pic.twitter.com/11LgbfFJDq
>
> — Jayda Fransen (@JaydaBF) November 28, 2017

A subsequent video shows a man smashing a statue of the Virgin Mary, with the caption "Muslim Destroys a Statue of Virgin Mary!"

> VIDEO: Muslim Destroys a Statue of Virgin Mary! pic.twitter.com/qhkrfQrtjV
>
> — Jayda Fransen (@JaydaBF) November 29, 2017

The third tweet shows a mob pushing a person off of a roof.

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> VIDEO: Islamist mob pushes teenage boy off roof and beats him to death! pic.twitter.com/XxtlxNNSiP
>
> — Jayda Fransen (@JaydaBF) November 29, 2017

The president's retweets come as the White House is working with Senate Republicans to pass tax reform. They come less than a day after North Korea conducted its first missile launch in two months.

TAGS **DONALD TRUMP**

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