NRF
THE VOICE OF RETAIL

September 19, 2017

The Honorable Orrin Hatch
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

The National Retail Federation (NRF) strongly supports comprehensive reform of the federal income tax by lowering tax rates and broadening the tax base. Tax reform is vitally important to the U.S. economy and to retailers specifically, as consumer spending constitutes more than two-thirds of the U.S. economy. The U.S. economy cannot thrive when we have the highest corporate tax rate in the industrialized world. Income tax reform can have an immediate positive impact on economic growth, real wages and consumer spending. The NRF is opposed to efforts to shift the tax burden from businesses to consumers.

By way of background, NRF is the world's largest retail trade association, representing discount and department stores, home goods and specialty stores, Main Street merchants, grocers, wholesalers, chain restaurants and Internet retailers from the United States and more than 45 countries. Retail is the nation's largest private sector employer, supporting one in four U.S. jobs – 42 million working Americans. Contributing $2.6 trillion to annual GDP, retail is a daily barometer for the nation's economy. NRF.com

NRF supports business income tax reform that eliminate tax credits and incentives that favor some industries over others, and supports replacing these "tax expenditures" with substantially lower tax rates, freeing businesses to make the most economically-prudent investment decisions rather than having the tax code drive decision-making. Business tax reform should be neutral among different types of businesses, so that businesses are not favored based on their form of legal entity (e.g. C corporation vs. pass-through), how they own their property (e.g. leased stores vs. owned stores), or distribution channel (e.g. brick and mortar sale vs. remote sale). In addition, tax reform should provide adequate transitions rules, so that businesses do not face large tax burdens based on investment decisions made in years prior to the enactment of tax reform.

A substantial reduction in the high U.S. corporate tax rate will drive economic growth. Because the U.S. corporate tax rate is the highest in the industrialized world, U.S. companies are choosing to make more investments outside of the United States and foreign companies are choosing to make more investments in countries with lower corporate tax rates rather than the United States, where they can achieve a better return on their investment (ROI). In 2016, the average statutory foreign corporate income tax rate in the OECD was 24.7% and several countries have enacted laws that schedule additional rate cuts over the next few years. Meanwhile, the United States has the highest statutory corporate tax rate in the OECD at 35% and when average state corporate taxes are

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added in that rate rises to almost 39%. According to an NRF analysis, in 2015 corporate taxes cost American workers up to $4690 in wages.

The United States has not reduced its corporate tax rate in more than 30 years. At the same time other industrialized nations have reduced their tax rates and in some cases, multiple times. Americans cannot sit by any longer and watch other nations continue to reduce corporate tax rates and attract our businesses and jobs. We must compete for this investment in our country and our workers.

The National Retail Federation urges the Finance Committee to work expeditiously on tax reform and offers our full support in this endeavor.

Sincerely,

David French
Senior Vice President
Government Relations

cc: Members of the Senate Finance Committee