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COMMITTEE ON THE JUDICIARY - RANKING MEMBER
SELECT COMMITTEE ON INTELLIGENCE
COMMITTEE ON APPROPRIATIONS
COMMITTEE ON RULES AND ADMINISTRATION

United States Senate
WASHINGTON, DC 20510-0504
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March 16, 2017

The Honorable Senator Orrin Hatch
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Senator Ron Wyden
Ranking Member
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

I understand there have been many discussion regarding how to move forward on tax reform. I write to share with you some of my views that I hope you will take into consideration as you work on tax reform legislation.

I have attached an op-ed I wrote for the Fresno Bee detailing my views on the border adjusted tax as proposed in the House Republican blueprint and any steps to impose additional tariffs targeted at imports from specific countries. I am worried that these proposals could have a significant negative impact on both consumers and businesses, and I am particularly concerned by the prospect of retaliation from other countries as a result of these potential tax and trade actions.

I am also deeply concerned about the loss of manufacturing jobs and the estimated $2 trillion infrastructure investment gap we face over the next decade. I believe that there is an opportunity for corporate tax reform to address these concerns. Since 1995, California has lost over 400,000 manufacturing jobs, and as the manufacturing industry evolves with new technology, I firmly believe we must look out for manufacturing workers and help them fill the jobs currently needed to support U.S. production. Any congressional action on corporate tax reform should ensure that workers are also taken care of and not lost in the shuffle.

As you know, there is over $2.5 trillion in corporate profits held offshore. I am aware that the Joint Committee on Taxation in 2014 projected that a repatriation tax holiday similar to the one that took place in 2004 would have cost over $95 billion. I am also concerned by findings from the Permanent Subcommittee on Investigations' 2011 report on Repatriating Offshore Funds that "the top repatriating corporations reduced their overall U.S. workforce by 20,931 jobs."

These findings are deeply concerning and reinforce my belief that any tax reduction for repatriated profits as part of transitioning to a new corporate tax system must be mandatory and produce revenue. The resulting revenue should be directed toward direct spending programs to support manufacturing and infrastructure in a way that prioritizes American workers. I would also suggest examining how corporate tax reform could connect any reduced repatriation tax rate to the direct creation of U.S. jobs.

Thank you for the work you do for the Senate Finance Committee and for your consideration of the priorities I have laid out in this letter. I hope we are all united in ensuring that any tax code changes lead to additional support for workers in America.

Sincerely,

Dianne Feinstein

Dianne Feinstein
United States Senator

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The Fresno Bee

California farmers better think twice about Trump's trade plans

BY DIANNE FEINSTEIN – FEBRUARY 23, 2017

President Trump's threat to tax imports from Mexico combined with the House Republican blueprint on tax reform raises serious concerns about how Republican tax and trade policies will affect consumers and businesses in California.

Trade is essential to California's economy. Our state in 2014 imported more than any other state – more than $400 billion in imports to nearly 60,000 companies. On the export side, California had the most exporters of any state with more than 75,000 companies, and our exports were second only to Texas at $173.8 billion.

Agricultural exports have long been one of the positive sectors for the U.S. balance of trade, with exports exceeding imports every year since 1960. California's agriculture and food industries are powerhouses, providing around half the nation's fruits, vegetables and other specialty crops, as well as around one-fifth of the nation's supply of dairy products.

America's farms have become increasingly productive over the years, and agricultural exports have proven a critical component of our domestic agricultural economy. Around 20 percent of the total volume of agricultural produce ends up in foreign markets. Every day, nearly 80,000 California farms and ranches provide Americans and people around the world with a variety of high-quality foods, and the thousands of workers employed by agriculture in the state work hard to get this food from the field to the marketplace.

The president should support rural communities and those who work in agriculture by helping to find new markets for agricultural products, not by starting trade wars with our neighbors.

Statements and proposals like the House Republican tax reform blueprint – which includes taxing imports but not exports – as well as threats to impose import tariffs on specific countries demonstrate a limited understanding of our economy and how trade barriers between the U.S. and our largest trading partners will hurt Californians.

Trade with our neighbors is particularly important. In 2016, the U.S. exported nearly $231 billion in goods to Mexico and imported about $294 billion. With Canada, the U.S. exported nearly $267 billion in goods and imported $278 billion.

Canada and Mexico are two of the largest importers of agricultural products grown or sourced right here in California. Just one example: California's dairy producers export more than $500 million of dairy products to Canada and Mexico every year.

If the U.S. places prohibitive or restrictive tariffs on imported goods, not only will the prices of these goods for domestic consumers go up, other countries will certainly respond in kind.

Mexican officials have already stated that they are prepared to retaliate against taxes on Mexican goods going into the U.S. with import taxes of their own. In fact, the Mexican Congress may soon debate a bill to buy corn from Argentina and Brazil rather than the United States, potentially closing the door for American farmers who exported over $2 billion worth of corn to Mexico in 2015.

In similar fashion, Canada's Minister of International Trade Chrystia Freeland recently said that if the U.S. imposes a tax on imports from Canada, they would "respond appropriately."

The House Republican tax plan would hit retailers particularly hard, and with 2.8 million people employed in the retail sector just in California, the consequences would be severe. Retailers would likely face a significant increase in their effective tax rates.

A coalition of companies opposed to this tax plan estimates that families would pay an additional $1,700 on products each year and that gas could increase by 35 cents a gallon. These price increases would be difficult, if not unmanageable, for many consumers, particularly those living on a fixed income.

Let's make this clear: It won't be Mexico or Canada that would suffer under this tax plan, but rather American workers and American consumers.

I understand concerns about how trade agreements and our global economy have affected our workforce. I also know that we can't turn back the clock on globalization or ignore the nuances of global trade.

Imports from Mexico often include parts that were produced in the U.S. According to the Wilson Center, 40 percent of our imports from Mexico contain parts that originated in the United States. Almost 5 million jobs in the U.S. are directly related to sustaining our trading relationship with Mexico.

A trade war – or even the threat of a trade war – could devastate the American workforce.

If President Trump or Congress pursues poorly thought-out tax and trade policies, the American people will pay the price.

Sen. Dianne Feinstein, D-California, has served in the U.S. Senate since 1992.