



Democratic group's false attack on Wis. GOP Sen. Ron Johnson over outsourcing to China

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February 28, 2022

Candidates and third-party groups have seized on China as a theme in their advertising in the runup to the 2022 primaries. In some ads, candidates vow to get tough on China; in others, candidates are painted as too cozy with the nation.

A TV ad from the Democratic Senatorial Campaign Committee takes the latter approach in targeting Republican U.S. Sen. Ron Johnson in swing-state Wisconsin. The ad makes a variety of attacks on Johnson, including one that claims he has been "rewarding companies that outsource to China."

It's the same type of attack that Democrats failed in making during Johnson's second Senate campaign in 2016.

But the committee, which works to elect Democrats to the Senate, refers only to Johnson's support of former President Donald Trump's 2017 law, the Tax Cuts and Jobs Act, which had many provisions.

Experts said it's not clear that the law caused U.S. companies to move jobs to China.

"The bill overall does not encourage offshoring," even though "it's often portrayed that way," said Thornton Matheson, a senior fellow at the Tax Policy Center.

The law has no provision specific to China, he said, and U.S. multinational corporations still must pay foreign income taxes.

Menzie Chinn, a professor of public affairs and economics at the University of Wisconsin-Madison, said, "There is debate whether the international provisions of the law actually increased offshoring. Some say absolutely it didn't, but I think in general there's no strong evidence one way or the other."

Attack references Trump's 2017 tax law

The ad includes a footnote to a Jan. 8, 2018, New York Times news story about the 2017 law. A committee spokesperson told us Johnson's vote for the law is the basis of this attack.

Highlights of the law include:

- tax cuts in income tax rates for individuals; doubling the standard deduction, so that fewer taxpayers have to itemize in order to reduce their tax burden; additional child tax credits; and fewer estates being subjected to the estate tax;
- income tax cuts for every income group in 2019, though with the benefits flowing disproportionately to wealthier taxpayers;
- a reduction in the top corporate rate from 35% to 21%.

The New York Times story cited in the ad did not mention China, but it said the law "could make it attractive for companies to put more assembly lines on foreign soil." That's because one provision made income made by American companies' overseas subsidiaries subject to U.S. taxes that are half the rate applied to their domestic income, the story said.

The Democratic Senatorial Campaign Committee cited data indicating that U.S. companies moved thousands of jobs to China after the tax law was adopted.

But Chris Edwards, director of tax policy studies at the libertarian Cato Institute, said the data don't indicate whether the tax law was the reason for the job moves, and there is no indication how many jobs moved back to the United States because of the law.

"One purpose of reducing the U.S. corporate tax rate was to encourage factories and multinational headquarters to move here. The rules before the law encouraged headquarters to move abroad. The law mainly solved that problem," he said.

"Perhaps some companies shifted jobs to China, but perhaps other companies shifted jobs here from Canada or Germany," he added. "It's complex — each multinational faces different incentives based on their particular industry, whether they are research-intensive, whether they earn a lot of foreign royalties, and many other factors."

The DSCC also cited a provision of the law that allows companies to escape U.S. corporate taxes on foreign earnings if those earnings are smaller than 10% of their tangible foreign assets.

But Garrett Watson, senior policy analyst of the Tax Foundation, said the tax changes to foreign income for multinational firms did not significantly change their tax burden overall.

"Most of the reduction in the tax burden for U.S. multinationals came from lowering taxes on domestic income through changes like the lower corporate tax rate," he said.

Johnson's campaign said the ad "is a weak attempt to distort the pro-America, anti-Communist China record" of Johnson's tenure in the Senate.

Wisconsin race seen as competitive

The Wisconsin race is rated by campaign watchers as a tossup or as leaning Republican. It's one of the contests that could determine which party controls the Senate, now split 50-50.

No major candidates are running for the GOP nomination against Johnson, a businessman who is seeking a third term, in Wisconsin's Aug. 9 primaries.

The Democratic candidates include Lt. Gov. Mandela Barnes; state Treasurer Sarah Godlewski, Tom Nelson; the county executive for Outagamie County; and Alex Lasry, an executive with the Milwaukee Bucks National Basketball Association team.

Our ruling

A Democratic Senatorial Campaign Committee ad said Johnson has been "rewarding companies that outsource to China."

The only evidence cited was Johnson's vote for a 2017 GOP tax law that included many provisions, including a variety of tax breaks for individuals as well as some for companies with foreign operations.

The law does not contain a provision specifically for China. Moreover, experts said there is no evidence the law incentivized U.S. companies to move jobs to China.

We rate the statement False.