

President to Propose Tax Breaks to Get Jobs

By [JOHN D. MCKINNON](#) ON JANUARY 12, 2012

President Barack Obama said he will propose new tax incentives to encourage businesses to "bring jobs home," a move that could sharpen differences with Republicans in an election year.

Mr. Obama also said Wednesday he would suggest eliminating "tax breaks for companies that move jobs overseas." Administration officials said details won't be released until the president issues his proposed budget next month.

In past years, most of the administration's plans to limit tax breaks for multinationals have stalled amid opposition from businesses and Republicans. Tax experts said the proposals could include new investment subsidies such as more-generous depreciation, lower tax rates for income derived from innovation produced in the U.S. or expanded breaks for domestic research or manufacturing.

But Republicans now appear unlikely to embrace anything short of a fundamental overhaul of the U.S. tax code, which they blame for hurting American businesses at home and abroad.

The White House move was the latest in a running battle between Democrats and Republicans over U.S. tax policy and its effect on job creation. Democrats have long blamed U.S. tax rules for encouraging American companies to move production and jobs to China and other lower-cost countries. In particular, Democrats say generous rules on taxation of U.S. firms' overseas business income have accelerated outsourcing, by allowing firms to park overseas profits in tax havens, deferring payment of U.S. taxes until the money is brought home.

In contrast, Republicans and many multinationals have argued that globalization generally has benefited America, by creating more jobs abroad and at home. They complain that U.S. tax rules are an impediment to American firms, and much tougher than tax rules in other developed countries. They note that the top U.S. corporate tax rate of 35% is among the world's highest. They also note that by and large, other countries don't tax their companies' overseas earnings at all.

Last year, Mr. Obama appeared increasingly sympathetic to that argument, calling in his January 2011 State of the Union speech for closing tax loopholes as a way to "lower the corporate tax rate ... without adding to our deficit." The president's comments Wednesday suggested a somewhat tougher tone for 2012. But it's not yet clear the administration is backing away from the idea of a corporate-tax overhaul at some point even though it hasn't released a specific proposal.

"I doubt that this replaces corporate tax reform" for the White House, said Jared Bernstein, a former economic adviser to Vice President Joe Biden who is now at the liberal Center on Budget and Policy Priorities. "It seems like politically a great time for the president to get above the fray and talk about concrete measures that can help people get back to work, especially when boosting manufacturing."

Chris Edwards, director of tax policy studies at the conservative Cato Institute, dismissed Mr. Obama's Wednesday comments, saying, "the real problem is that federal policymakers create penalties for companies creating jobs in America, such as our very high corporate tax rate."