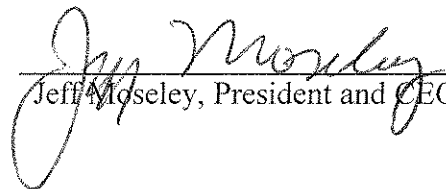


**Resolution of the Board of Directors in Opposition to the Reformation or
Repeal of the Federal Tax Deferral Rules**

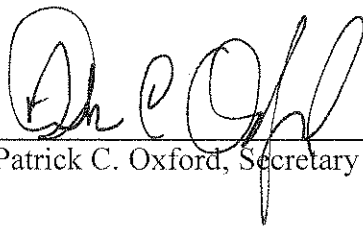
The Greater Houston Partnership opposes legislation that reforms or repeals the federal tax deferral rules. Multinational companies in the greater Houston area depend on the federal international tax rules to remain competitive in the global marketplace. Limiting the deferral provisions will adversely affect the United States and the greater Houston region's economy by restricting these companies' ability to compete, increasing taxes and causing further job loss.



Daniel G. Bellow, Chairman



Jeff Moseley, President and CEO



Patrick C. Oxford, Secretary

MEMORANDUM

DATE: May 13, 2009

TO: Greater Houston Partnership Board of Directors

FROM: Roland Rodriguez
Chairman, Tax and Fiscal Advisory Committee

SUBJECT: Resolution of the Board of Directors in Opposition to the Reformation or Repeal of the Federal Tax Deferral Rules.

RECOMMENDATION:

The Greater Houston Partnership opposes legislation that reforms or repeals the federal tax deferral rules. Multinational companies in the greater Houston area depend on the federal international tax rules to remain competitive in the global marketplace. Limiting the deferral provisions will adversely affect the United States and the greater Houston region's economy by restricting these companies' ability to compete, increasing taxes and causing further job loss.

BACKGROUND:

The United States federal tax system abides by the standard of worldwide taxation, where U.S. companies are taxed on all income regardless of where the income is earned. The U.S. is the only major economic power that double taxes income earned abroad. Both Japan and Britain have recently moved to a territorial system, which taxes only income earned within their borders.

However, federal tax deferral rules allow U.S.-based multinational companies to defer paying income tax on the profits they receive from those overseas operations until the money is repatriated. These provisions also allow companies to deduct expenses incurred from overseas operations.

The profits arising from the U.S.-owned foreign subsidiaries are still subject to taxation by the foreign country in which they are earned. To prevent double taxation, multinational companies receive a U.S. tax credit on the income taxes paid to the foreign government.

In an effort to raise \$210 billion in tax revenue, the Obama administration recently proposed a reform to the current tax deferral rules. If passed, the legislation would prevent multinational companies from deducting expenses incurred from foreign operations until the overseas profits are paid to the U.S. parent company. Second, the legislation would make it harder for companies to claim the foreign tax credit.

IMPLEMENTATION:

To implement this recommendation, the Partnership will communicate its support of this resolution to Congress.

FISCAL IMPACT:

Passage of the Obama Administration's reform legislation will motivate U.S.-based multinational companies to relocate overseas to a more profitable tax structure, resulting in further job losses in the United States. Reforming the tax deferral rules will significantly increase the corporate tax burden on those corporations doing business overseas. In light of the fact that the U.S. already has a higher corporate tax rate than other foreign markets, removing or reducing the value of the deferral will create a competitive imbalance between U.S. multinational companies and their foreign competitors.

Multinational companies employ 137,373 people in the greater Houston region and 22 million nationwide. Losing these companies to overseas markets will increase job and money loss in the greater Houston region and the United States, an opposite outcome than desired by the current Administration.

KNOWN OPPOSITION:

Over 200 companies and trade associations actively oppose the Obama Administration's reform. The Business Roundtable, the National Association of Manufacturers, the National Foreign Trade Council, and the U.S. Chamber of Commerce have created PACE (Promote America's Competitive Edge) in response to the Administration's announcement to help preserve competitiveness and jobs.

RESOURCES REQUIRED:

No resources are required to implement this recommendation.