



**American Shareholders Association**  
 1920 L Street, NW, Suite 200  
 Washington, DC 20036  
 202.785.0266 • Fax 202.785.0261

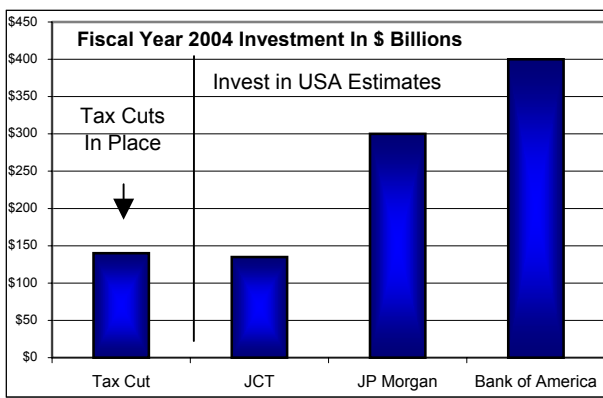
**Invest in USA Act Is Critical For Economic Recovery**  
**\$400 Billion of New Investment, 500K New Jobs, Rising Stock Prices**

Contact: Daniel Clifton  
 202-785-0266  
[dclifton@atr.org](mailto:dclifton@atr.org)

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*Pass the Invest In USA Act*

**\$400 Billion of Investment in '04**



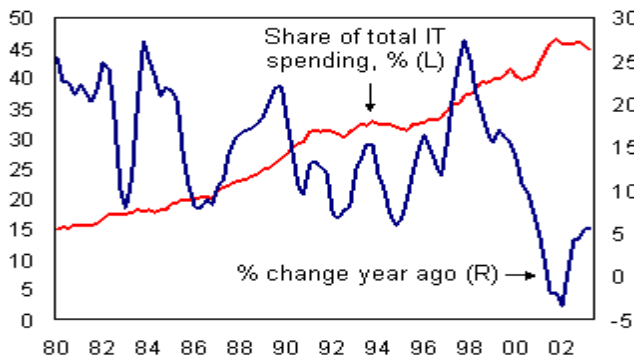
- Complements President Bush's Successful Tax Cut**  
 In May Congress passed President Bush's tax cut on income, savings, and investment. To date, \$1.4 trillion of new shareholder wealth has been created, dividend issuance is occurring at record pace, business investment has restarted, and employment growth is set to take off. Passage of the Invest in USA Act will complement the successful tax cut by creating \$400 billion of new investment. To place this amount in context, the recently passed tax cut is scheduled to deliver \$140 billion in tax relief in fiscal year 2004. Invest in USA builds upon that amount and can provide up to three times more than the President's tax cut.

**Economic Growth Effects**

	<u>04</u>	<u>05</u>
Real GDP Growth (%)	0.2	0.9
Business Investment (\$ bil)	13.8	78.0
Jobs (thousands)	161	666
Unemployment Rate	-0.1	-0.3
Dividends (\$ bil)	12.1	17.4
S&P 500 (% increase)	1.3	4.9
Fed Govt Tax Receipts \$ bil	13.4	28.5

- Broad Based Economic Growth**  
 According to a recent study by Alan Sinai of Decision Economics, passage of this legislation will add 0.2 percentage points to GDP in 2004 and 0.9 points in 2005. Capital spending will increase an additional \$30 billion per year from 2004-2008 with \$78 billion of new capital spending in 2005. 161,000 jobs will be added in 2004 and 666,000 in 2005, dropping the unemployment rate by 0.4 percent by 2005. The S&P 500 will average an additional increase of 4.6 percent from 2004-2008 with a 1.3 percent increase in 2004 and a 4.9 percent increase in 2005.

**Business Software Spending Slowly Bouncing Back**



**Good Policy Makes Good Politics**

Invest in USA will work like an insurance policy to prevent any slowdown in the economy for the entire election year of 2004. Some members of Congress have expressed concerns that the economy will be slower in 2004 than in 2003 with the tax cut effects slowing. Passage of the Invest in USA Act will thus ensure continued growth that will boost investment, employment, and stock market growth. With passage of this legislation now, all the investment can be made by mid-2004 to ensure a strong economy for the year. And a good economy benefits incumbents seeking to get reelected.

The American Shareholders Association is a non-partisan, not-for-profit organization dedicated to analyzing legislation affecting stockholders. To educate U.S. investors, ASA reports the public positions of elected representatives on these issues to its members. For more information please contact Daniel Clifton at (202) 785-0266 or by email at [dclifton@atr.org](mailto:dclifton@atr.org)



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## **Invest in USA Act Is Critical For Economic Recovery**

### **\$400 Billion of New Investment, 500K New Jobs, Rising Stock Prices**

#### **Overview**

As Congress gets set to finalize new international tax legislation, which repeals the Foreign Sales Corporations (FSCs), and the Extraterritorial Income Exclusion (ETI) export subsidies, the Invest in USA Act must be included as part of the final legislation. The proposed legislation allows for American companies operating abroad to temporarily reinvest their foreign profits back into America at a significantly lower tax rate. Independent analysis suggest this measure will generate \$400 billion of new investment in America's economy in 2004, create roughly 500,000 new jobs, boost stock prices by 4.5 percent and add more than 1 percent to Gross Domestic Product (GDP). This additional economic growth occurs with minimal cost to the US Treasury/federal deficit and a recent analysis by Decision Economics found the measure will increase revenues by \$35 billion over two years. Simply put - the bang for the buck is enormous and will occur at the best possible time for the economy and thus incumbent, pro-growth politicians up for reelection in 2004.

#### **How It Works**

Currently, US subsidiaries firms operating in foreign countries must pay taxes to the host country on their profits and if the company decides to bring the profits back into America, the company must pay the difference of the foreign tax and the U.S. 35 percent rate. This completely encourages American companies to invest in foreign countries and not invest in America. The Invest in USA Act, however, allows companies to reinvest their foreign profits back into America at a 5.25 percent rate. Many companies will use this one-time provision to repatriate their profits back into America, which bolsters new investment in America. Since a tax is still paid on the repatriation and the money flowing back into America would not occur otherwise, the static budget estimate is miniscule and the dynamic analysis shows an increase of tax revenue.

#### **Why It Works Perfectly**

The President's latest tax cut is on its way to be the most significant tax cut in American history, including Reagan's 1981-tax cut. Markets have exploded in response to the tax cut, which has set the stage for strong economic growth throughout the entire economy. GDP will be coming in over 5 percent for the third quarter, stock market wealth has increased by \$3 trillion in past twelve months, and job creation is on the verge of exploding.

There is growing concern among legislators up for reelection that the effect of the tax cut will slow somewhat in mid 2004 and put the economy on a slower, albeit growing pace. This is where the Invest in USA Act comes into play. Passage of the legislation now will pump an additional \$400 billion back into the economy at the same time the effect of the tax cut is somewhat waning, or at the time legislators think it is waning.

**The legislation will work like an insurance policy to prevent any slowdown in the economy for the entire year. To place the impact this legislation will have on economic growth, the proposed legislation will at least double the amount of scheduled tax relief in 2004. Joint Committee on Taxation estimates \$140 billion of tax relief will be delivered in 2004. Passage of this measure will at least equal this amount (thus doubling the amount of tax relief for the year) and at best triple the amount scheduled. With passage of this legislation now, all the investment can be made by mid-2004 to ensure a strong economy for the year. And a good economy benefits incumbents seeking to get reelected.**