

## News & Views

### HARMONIZING U.S. INTERNATIONAL TAX RULES WOULD HELP U.S. COMPANIES COMPETE

The U.S. should bring its international tax system into harmony with those of other industrialized nations to make American companies more competitive in global markets, according to a new study conducted by Price Waterhouse LLP for the Financial Executives Research Foundation, Inc. (FERF), the research arm of the Financial Executives Institute.

The study, *Taxation of U.S. Corporations Doing Business Abroad: U.S. Rules and Competitiveness Issues* (prepared by Price Waterhouse principals Alan W. Granwell and Peter R. Merrill and consultant Carl A. Dubert and sponsored and published by FERG), reviews the rules governing the taxation of U.S. cor-

porations and evaluates how these rules affect the competitiveness of U.S. corporations operating abroad. The study compares the U.S. rules with corresponding rules in France, Germany and Japan. It also creates a series of economic studies that measure the relative competitiveness of the U.S. international tax system.

The study points out some of the main differences between the U.S. international tax rules and those of France, Germany, and Japan:

- The U.S. taxes the worldwide income of U.S. corporations and U.S. citizens. Many other countries exempt foreign source business income either by statute (France) or by treaty (Germany)

in order to prevent international double taxation. Moreover, the U.S. is the only major industrial country that taxes the foreign income of nonresident citizens.

- The U.S. has one of the most complicated foreign tax credit systems in the world. Under the system, taxpayers must segregate different types of foreign source income, allocate and apportion their expenses to such income, and perform separate foreign tax credit limitation calculations with respect to each category. The systems of other countries frequently are simpler or offer benefits to their multinational corporations that the U.S. system denies to U.S. multinationals. The purpose of a foreign tax credit system is to avoid the international double taxation of income.

- The U.S. taxes corporate income twice: once at the cor-

porate level and again when distributed to shareholders. Most other industrial countries integrate corporate/shareholder taxation, thereby lessening the overall tax burden.

According to the study, if the U.S. government were to harmonize these and other tax rules with those of other industrialized countries, the effective U.S. tax rate on cross-border investments would be reduced to a more competitive level.

Copies of *Taxation of U.S. Corporations Doing Business Abroad: U.S. Rules and Competitiveness Issues* (\$35 plus shipping and handling) can be ordered by calling 1 (800) 680-FERF. □

### ACCOUNTING FIRMS MAKE THE WORKING MOTHER 100

The October issue of *Working Mother* contained the publication's 11th annual report listing the country's most advanced and innovative firms in helping employees balance work and family life. The report also reveals a sharp upswing in the use of flexible work schedules, recognition of child-care needs, and an increase in paid leave for new parents. Four of the big six accounting firms made this year's "Working Mother 100": Coopers and Lybrand L.L.P., Deloitte & Touche LLP, KPMG Peat Marwick LLP, and Price Waterhouse, LLP. Plante & Moran LLP of Southfield, Michigan was included in the list as well.

*Working Mother* used five standards to determine "The 100 Best Companies for Working Mothers": pay, opportunities for women to advance, child-care support, flexibility, and family-friendly benefits.

Vice President Al Gore, who was the keynote speaker at the

magazine's Working Mother 100 breakfast, said "for workplaces to remain productive, healthy, and profitable...they must help their employees meet their family obligations. In the new economy, allowing workers to integrate their family life into their workplace will be a key source of competitive advantage. The economic strength will depend on national family strength."

Price Waterhouse chairman James J. Schiro shared the sentiment that supporting employees' family lives is important. "The real proof that these initiatives are working is the difference they are making for our firm on a daily basis and the critical role they play in our future success. We see it in the number of talented people who decide to join and stay with our firm, specifically because they believe we provide an environment that allows them to flourish and succeed." □

