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S. 3364 – Bring Jobs Home Act

Noteworthy

- **Floor Situation:** S. 3364 was introduced by Senator Stabenow on July 9, 2012, and is nearly identical to S. 2884, introduced on May 8, 2012. S. 3364 was placed on the Senate Calendar on July 11, and Majority Leader Reid moved to proceed to it that day. On July 17, cloture was filed on the motion to proceed.

- **Background:** President Obama has recently made a key issue out of "outsourcing," rather than broader tax reform. The President has said that we should "stop giving tax breaks to businesses that ship jobs and factories overseas."

- **Executive Summary:** Under current law, business expenses are typically deductible from a taxpayer's income. This bill would prohibit the deduction of business expenses that are incurred in outsourcing and would provide a 20 percent tax credit for business expenses incurred in "insourcing."

Bill Provisions

Section 1 – Short Title

The bill is the "Bring Jobs Home Act."

Section 2 – Credit for Insourcing Expenses

This section provides a tax credit of 20 percent of the costs associated with eliminating a business operation in a foreign country and relocating that business operation in the United

States, including U.S. territories and possessions. Eligible expenses used to qualify for the credit are the same expenses that are deductible under current law (Section 162). The bill does not require companies to choose between taking the existing deduction or this new credit – it appears that they could use both under this bill.

To receive the credit, the costs associated with moving a business operation to the U.S. must be made pursuant to a written plan. The bill does not include requirements for the written plan.

To receive the credit, the business is required to increase overall domestic employment relative to the employment level before the insourcing occurred.

The section applies this credit to all U.S. territories and possessions.

Section 3 – Denial of Deduction for Outsourcing Expenses

This section prevents a business from deducting business expenses that would otherwise be deductible if those expenses were incurred while outsourcing. Outsourcing is defined in the bill as eliminating a business operation in the United States and relocating that business operation outside the U.S. The bill does not define how much time can elapse between these two activities for a business to be denied a deduction for its expenses; it only says that the relocation of the business activity does not need to occur in the same tax year for it to be considered outsourcing.

Expenses are defined in the same way as in Section 2 of the bill. The bill also prohibits a controlled foreign corporation from deducting outsourcing expenses from its income, which will require the U.S. parent company to report higher income when that foreign income is repatriated.

Administration Position

The goal of encouraging insourcing was included on the White House's "to-do" list.

Cost

According to the Joint Committee on Taxation, the bill will increase the deficit by $1 million this year and $87 million over 10 years. The tax credit for insourcing jobs reduces revenue by $3 million this year and $255 million over 10 years. Disallowing the business deduction for outsourcing business activity raises $2 million this year and $168 million over 10 years.