



U.S. Congressman
Nick Rahall
WORKING FOR WEST VIRGINIANS

FOR IMMEDIATE RELEASE

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**RAHALL PRESSES FOR REPEAL OF TAX BREAKS FOR U.S. COMPANIES
-- INCENTIVES STEALING JOBS FROM AMERICAN WORKERS --**

WASHINGTON, D.C. -- U.S. Rep. Nick Rahall (D-WV), never comfortable with the concept of foreign aid, today lashed out at what he called "foreign aid in sheep's clothing." He was referring to tax breaks for U.S. companies to relocate outside of the states.

Rahall urged his colleagues to join him in supporting H.R. 2632, a bill that would deny tax breaks to companies that would shut down American factories and shuttle those jobs across our borders.

"The U.S. continues to plunge itself deeper and deeper into debt, sacrificing its economy, and cutting its programs so that it can provide breaks and incentives that hurt American labor and the American worker," said Rahall. "There is no sanity in that approach and it is time we stood up and did something about it."

The U.S. tax code provides certain companies generous tax breaks, including a federal income tax exemption on local earnings, for establishing manufacturing facilities in U.S. territories and the Commonwealth of Puerto Rico. The effect of these breaks has been to draw vital U.S. jobs away from the states.

Rahall pointed out that industries such as chemicals, pharmaceutical, rubber and plastic, and electronics have been lured by annual tax savings averaging more than \$18,000 per employee, or 125 percent of the employee's average yearly wage. Some companies have received tax benefits of nearly \$70,000 per worker.

"What once was a promising goal of creating new jobs in the States has been subverted by a certain few. The bill on realizing those goals is past due," said Rahall. "The American worker should no longer be made to pay the price."

Rahall added The Made in the U.S.A. Foundation estimates that each day 985 jobs -- 3 million over the last ten years -- are lost because of unfair trade laws.

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West Virginia Labor Federation, AFL-CIO



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August 15, 1991

The Honorable Nick Joe Rahall
U. S. House of Representatives
343 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Rahall:

Section 936 of the U. S. Tax Code ("The Possessions Tax Credit") grants certain companies lucrative tax breaks, including a federal income tax exemption on local earnings, for establishing manufacturing facilities in U. S. territories and the Commonwealth of Puerto Rico. Congress enacted the credit with the hope that expanding industries would allocate development to these territories, thereby creating jobs and enabling residents to benefit from national economic growth.

In recent years, however, this provision has become an incentive for corporations to shut down production lines or whole factories on the U. S. mainland and relocate jobs to the territories and the Commonwealth of Puerto Rico. Industries such as chemicals, pharmaceutical, rubber and plastic, clothing and textiles, and electronics have been lured by annual tax savings averaging more than \$18,000 per employee, or 125 percent of the employee's average yearly wage. Some companies have received tax benefits of nearly \$70,000 per worker.

Clearly, mainland workers cannot compete when the bottom-line production costs are skewed in such a way by the U.S. tax code. Hopefully, Congress did not intend for Section 936 to create job loss and dislocation on the mainland.

Congressman, the West Virginia AFL-CIO respectfully urges your support of H.R. 2632 in order to deny this tax break to companies that would use it to shut down U. S. factories and transfer jobs.

Your assistance would be greatly appreciated.

Sincerely,

Joseph W. Powell
President

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