



February 7, 2022

The Honorable Joe McNamara
Chair, House Finance Subcommittee #1
Pocahontas Building
900 E. Main Street
Richmond, Virginia 23219

Subject: GBA Supports HB 352 which Increases Deductibility of Business Interest Expense

Dear Chair McNamara and Members of the House Finance Subcommittee:

On behalf of the Global Business Alliance (GBA), I want to express our support for HB 352 to increase the allowable tax deduction for interest expense. By increasing tax deductibility, the Commonwealth can help keep the cost of capital down for companies already investing in Virginia as well as remain competitive for future growth. As the premier voice of international companies in the United States, GBA actively promotes and defends an open economy that welcomes international companies to invest in America. Our members are American companies with a global heritage and an indispensable part of our nation's economic success.

With over 880 international companies operating in Virginia, Foreign Direct Investment (FDI) supports 210,000 high-quality jobs in the Commonwealth. In the past five years alone, employment from international companies has grown by 22 percent, which significantly outpaced the state's overall private-sector growth rate of nine percent.¹ While nearly half of our members expect employment growth in the U.S., a less competitive U.S. tax environment is a key external factor that could deter investment in Virginia.²

The ability to deduct interest as an ordinary business expense is a longstanding principle of U.S. tax policy that reduces the cost of capital, which encourages investment and expansion. In 2017, interest deductibility was only limited by the federal Tax Cuts and Jobs Act to help pay for the corporate income tax rate reduction and immediate expensing of assets (bonus depreciation) neither of which Virginia adopted. It was appreciated that the General Assembly passed a law to allow for an interest deduction equal to 20 percent of the disallowed amount, but that only provides limited relief to employers.

¹ All statistics in this testimony are the latest available data from the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) data released November 2020.

² [Inbound Investment Survey](#), Global Business Alliance: January 2022.

To help drive growth and investment, the Commonwealth should fully decouple from federal IRC Section 163(j) interest expense limitations, or at a minimum, increase the percentage of allowed interest deductibility as under HB 352. Georgia, Mississippi, Tennessee, South Carolina, and Arkansas have already decoupled from the federal interest deduction limitations of IRC Section 163(j) and North Carolina plans to phase-out its corporate income tax entirely. Permitting full interest deductibility would establish a policy that encourages economic growth and make Virginia competitive with its neighbors.

For more information on how international companies support the economy including how Virginia compares to neighboring states, see the [factsheet](#) attached. I look forward to answering any questions at mbeeson@globalbusiness.org or 202-770-5141.

Sincerely,

A handwritten signature in cursive script that reads "M. Beeson".

Meredith Beeson
Director, State Affairs
Global Business Alliance



**GLOBAL
BUSINESS
ALLIANCE**

Investing in America

Foreign Direct Investment Strengthens VIRGINIA'S ECONOMY

QUALITY JOBS



210,900 workers in Virginia are employed as a result of international investment.

MANUFACTURING



53,600 workers in Virginia - **25 percent** of all FDI jobs in the state - are in the manufacturing sector.

GLOBALLY CONNECTED



Among all international employers, those from the **United Kingdom**, the **Netherlands** and **Germany** support the largest number of jobs in Virginia.

MANY EMPLOYERS

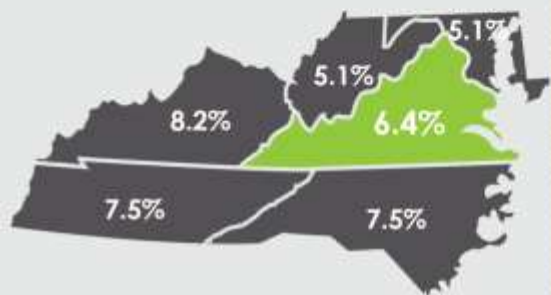


Nearly **885 international employers** have operations in Virginia.

INTERNATIONAL INVESTMENT CONTRIBUTES TO VIRGINIA'S ECONOMY

Virginia vs. Its Neighbors

FDI Jobs as a % of Total Employment



Virginia vs. USA

FDI Jobs as a % of Total Employment



Virginia beats the national average in its portion of jobs supported by international investment.

From 2014 to 2019, Virginia's FDI employment...



while the state's overall private-sector employment



DISCOVER THE FULL LIST OF GBA MEMBERS

More than 200 international companies comprise GBA's membership, representing a slice of the U.S. economy that provides over seven million high-quality jobs that pay an average of 18 percent higher compensation than the economy-wide average. Our members are some of the largest international employers in the country. Browse through our membership list using the QR code.





GLOBAL BUSINESS ALLIANCE

Investing in America

Foreign Direct Investment Strengthens AMERICA'S ECONOMY

MANUFACTURING



International companies supported **69%** of the new manufacturing jobs created in the past five years.

INNOVATION



International companies spend more than **\$71 billion** on U.S. R&D activities, or **15%** of all R&D performed by U.S. companies.

EXPORTS



U.S. workers of international companies produce **24%** of U.S. exports, shipping **\$397 billion** in goods to customers around the world.

SUPPLY CHAINS



For every U.S. job at an international company, **three more** are supported in the U.S. economy.

TAX



International companies pay **25%** of all federal corporate income taxes.

Record Number of FDI Jobs

7.9 MILLION

Nationally, 7.9 million U.S. workers are employed by international companies.

Good Paying Jobs

\$83,705

Across the nation, U.S. workers at international companies earn 18 percent higher compensation than the economy-wide average - making \$83,705 annually.

Current Employers Drive Growth

50%

Last year, FDI in the U.S. was driven largely - 50 percent - by reinvesting earnings from current employers, above the historic trend.

From 2014 to 2019, America's FDI employment...



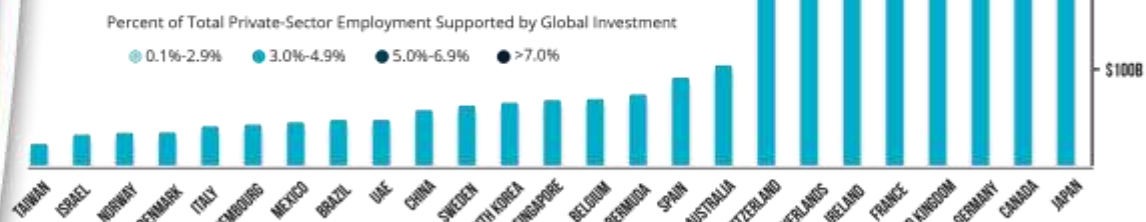
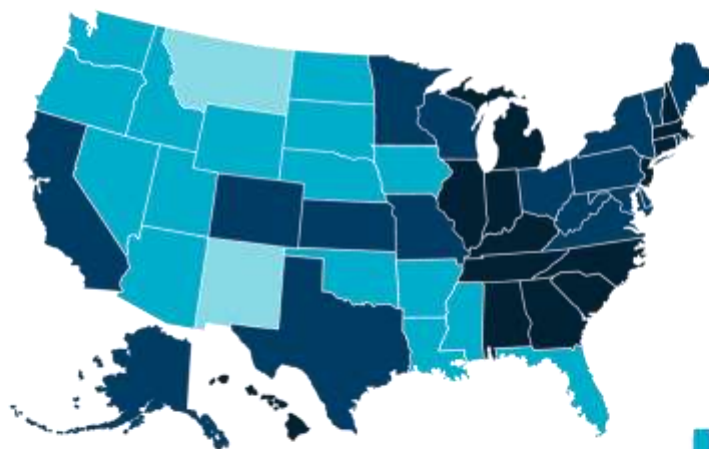
20%

while the country's overall private-sector employment



9%

Share of Foreign Direct Investment Jobs by State



Foreign Direct Investment in America by Country

Figures based on the Bureau of Economic Analysis (BEA), Survey of Current Business, U.S. International Transactions, released September 2021; Activities of U.S. Affiliates of Foreign Multinational Enterprises in 2019, released August 2021.