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Obama Proposes Tax for Upgrade of Infrastructure

The president is seeking a one-time tax on businesses' foreign earnings to fund improvements to roads, bridges and ports. Credit Charlie Neibergall/Associated Press

By Michael D. Shear

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WASHINGTON — President Obama's proposed budget envisions a nearly half-trillion-dollar transportation construction spree that would seek to upgrade the nation's roads, bridges and ports by imposing new taxes on overseas earnings by American companies.

The six-year, $478 billion infrastructure plan would provide a 33 percent increase in funding for big, new public works projects. The nation's transportation trust fund is set to run out of money this summer, but if this program is passed by Congress it will increase funding for transit by 75 percent and finance construction jobs across the country.

"Democrats and Republicans used to agree on this," Mr. Obama said in his State of the Union address last month. "So let's set our sights higher than a single oil pipeline. Let's pass a bipartisan infrastructure plan that could create more than 30 times as many jobs per year, and make this country stronger for decades to come."

But despite broad, bipartisan agreement on the need to fix thousands of aging and crumbling bridges and rail lines in cities and towns across the country, Mr. Obama's proposal could face opposition in the Republican-controlled Congress because of the way he proposes to pay for the new construction.

Obama's Priorities, in Budget Form

The president's 2016 budget represents his policy aspirations as he begins negotiations with Republicans.

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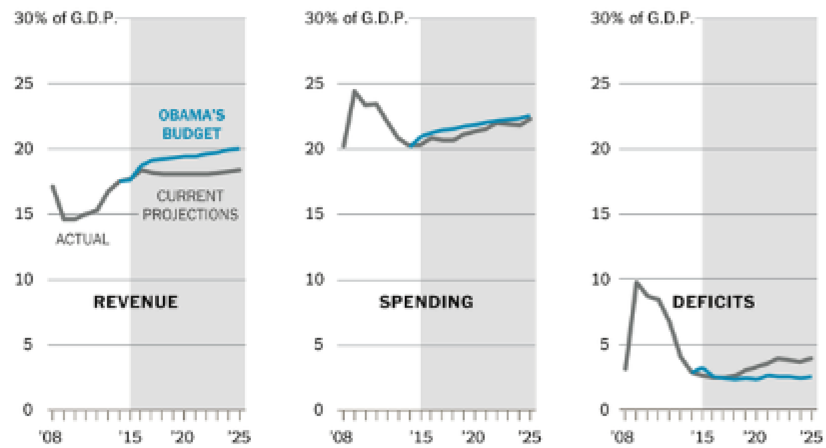

About half of the new spending would be paid for by a new, one-time 14 percent tax on nearly $2 trillion of foreign earnings that currently escape immediate taxation, held overseas by companies like Apple, Cisco Systems and Microsoft. Officials said the proposal would raise about $238 billion in one-time revenues for the federal government to use to finance a new transportation trust fund. An additional $240 billion would come from the federal tax on gasoline and other revenue sources.

Major American companies are supposed to pay a 35 percent tax on their earnings overseas, but many avoid the penalty by using a legal loophole that allows them to keep the earnings in other countries indefinitely.

In addition, the president's proposal would impose a new, permanent 19 percent tax on foreign earnings. That would be lower than the 35 percent tax that companies are supposed to pay, but manage to avoid, on their earnings in other countries.

Many Republicans oppose a mandatory tax on foreign earnings, preferring a "repatriation holiday" in which companies would be allowed to return their overseas revenues to the United States by paying a reduced tax rate. The decision to do that would be voluntary, unlike Mr. Obama's budget proposal.

But White House officials are hopeful that a compromise might be reached on the business taxes. They often note that former Representative Dave Camp of Michigan, a Republican who was the chairman of the House Ways and Means Committee, last year proposed a similar, mandatory proposal for taxing overseas earnings.

Mr. Camp’s proposal would have imposed a much smaller, one-time tax on the earnings. While the proposal offered encouragement to Mr. Obama’s aides in the West Wing, it did not generate much excitement among Mr. Camp’s Republican colleagues and went nowhere in last year’s Congress.