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Stock Market Investing Tips, Techniques, and Resources



Tax on Foreign Earnings

President Obama's proposed 2016 budget contains a hefty tax on **foreign earnings**. The International Business Times reports the story of a proposed tax on foreign earnings.

In an effort to get domestic companies booking huge foreign earnings to invest more in the U.S., President Barack Obama will propose a one-time tax on the firms' overseas profits to help fund the repair of the country's crumbling transportation infrastructure, the Associated Press reported Sunday.

The White House apparently believes it can drum up bipartisan support for the proposal, part of the president's \$4 trillion budget for the 2016 fiscal year, by using the tax revenue on construction projects in almost every congressional district. The president is scheduled to send the proposal to Congress Monday.

Spread out over six years, the public-works program would dedicate \$478 billion to repair and upgrade bridges, highways and transit systems all over the U.S., AP reported. About one-half of that money would come from taxing the estimated \$2 trillion in American corporate earnings amassed abroad at 14 percent, a much lower rate than the 35 percent tax imposed on profits in the U.S.

This proposal aims to deal with two issues. One is that many US companies hold profits offshore both to avoid US taxes and to more efficiently fund offshore ventures. This tends to increase offshore investment by US corporations and reduce their investments in the USA. The second issue is that the USA could use more than a little infrastructure repair. And that repair would be done by American workers giving a boost to the middle class who get bypassed when companies produce and invest offshore.

Investing in Public Works

The tax on foreign earnings proposed by the president is supposed to pay for **public works programs** such as fixing bridges and highways as well as mass transit. The Boston Herald provides details.

Obama's six-year \$478 billion public works program would provide upgrades for the nation's highways, bridges and transit systems, in an effort to tap into bipartisan support for spending on badly needed repairs.

If this indeed comes to pass investors should look for where to earn a profit from cement poured and construction equipment manufactured.

Open for Negotiation

The president is required by law to submit a proposed budget each year. This budget is for the 2016 fiscal year starting this coming fall. When one party controls the White House and the other controls congress all budget issues are subject to negotiation. This includes the onetime **tax on overseas earnings**. As the Wall Street Journal notes, linking the tax to infrastructure improvements and repair is an attempt to find common ground.

Mr. Obama wants U.S. companies to pay a 14% tax on the approximately \$2 trillion of overseas earnings they have accumulated, a White House official said Sunday. They would face a 19% minimum tax on future foreign profits. Companies could reinvest those funds in the U.S. without paying additional tax.

In making the pitch in his 2016 budget plan due Monday, the president is elevating two issues that previously gained traction with lawmakers of both parties: changing the tax code on overseas profits and raising spending on highways and transit systems.

If the proposal eventually becomes law it will result in a one-time tax on foreign earnings and a huge stimulus to the middle class with jobs related to infrastructure improvements.

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