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SECTION 911 UPDATE

An update on the possible repeal of the Foreign Earned Income Exclusion.



- On May 11, by a 92 - 5 vote the Senate approved S.1637, the Jumpstart Our Business Strength (JOBS) Act (see the May 16, 2004 *Section 911 Update*). S.1637 repeals the Foreign Sales Corporation/Extra Territorial Income programs, which violate World Trade Organization rules, with other tax relief for exporters.
- Sen. Mary Landrieu (D-LA) introduced an amendment that was added to S.1637 which provides a 50% tax credit to employers that continue to pay activated National Guard and military Reserve employees, with a cap of \$30,000 (\$15,000 credit) per employee, and offers a \$6,000 credit for small business and \$10,000 credit for small manufacturers that hire temporary workers to replace activated employees. The Landrieu amendment includes as a revenue raising offset a formula to reduce the amount of employer provided housing that may be deducted under Section 911, which would ensure that any deduction for housing is counted against the \$80,000 income exclusion.
- After weeks of negotiations among senior House Republicans, House Ways & Means Committee Chairman Bill Thomas (R-CA) has introduced H.R. 4520, the American Jobs Creation Act, which is a new version of a House of Representatives FSC/ETI replacement bill and replaces a H.R. 2896, an earlier version approved by the Ways & Means Committee. A committee "mark-up" of H.R. 4250 is scheduled for Thursday June 10 in Washington D.C., and it is possible H.R. 4250 will go to the House floor next week.
- H.R. 4250 does not currently contain the Landrieu provision regarding Section 911, though the House and Senate will need to conference to reconcile differences in their versions of the bill before it is sent to the President. A Congressional aide told Republicans Abroad Taiwan that the Landrieu provision will be removed from the final version, and added that "It's sort of a smoke and mirrors affect to make the numbers balance, but is a dumb idea that will not survive."
- Although it is unlikely that the Landrieu provision will be included in the final bill, the fact that Section 911 is a target should be of concern to overseas Americans as it shows that some Members of Congress continue to be inclined to reduce or eliminate the Foreign Earned Income Exclusion. Overseas Americans are encouraged to write to Congress in the coming days; according to Congressional aides, last year the letters sent by overseas Americans played an important role in preserving the Foreign Earned Income Exclusion. Please help remind Congress how important the Exclusion is to America's leadership in the global trading system by taking time to contact Members of Congress. Republicans Abroad can provide you with a draft letter.
- Republicans Abroad leaders have been in contact with Congressional offices regarding the Landrieu provision, and we continue to monitor developments.

Ross Darrell Feingold
Chairman
Republicans Abroad Taiwan
feingold@rataiwan.org
Tel: 0955-226-224



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