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Paul to Offer Bill to Fund Highways Through Repatriation.

DALLAS — Sen. Rand Paul, R-Ky., is expected to soon propose legislation that would shore up the structurally insolvent Highway Trust Fund with revenue from a tax cut on foreign corporate earnings.

Paul told a Ripon Society gathering on Wednesday that he and Sen. Barbara Boxer, D-Calif., are close to an agreement on a measure that would dedicate collections from the tax reform plan to the HTF, which supports federal grants to states for highway and transit projects.

Paul's staff declined to provide specifics of the new legislation being developed.

Boxer was the chairwoman of the Senate Environment and Public Works Committee last year when it passed a $242 billion, six-year transportation measure.

With the post-election shift in leadership of the Senate, she is now the ranking Democrat on the committee, which is chaired by Sen. James Inhofe, R-Okla.

Boxer announced earlier this month that she will not seek re-election in 2016.

The Senate committee will consider a variety of transportation funding options, including corporate tax reform, more public-private partnerships, and an increase in the federal gasoline tax, when it begins work on a five-year funding bill, Inhofe said this week.

Last year, Paul proposed a repatriation plan with a tax holiday that he said could bring in up to $16 billion in new money.

The Paul proposal would have allowed U.S. based corporations to bring back foreign subsidy earnings at a 10% rate for two to three years to avoid the current 35% tax rate.

Paul said he would have preferred a reduction to 5% but the lower rate was not politically possible.

The 2014 repatriation plan was endorsed by then-Senate Minority Leader Mitch McConnell, R-Ky., and Senate Majority Leader Harry Reid, D-Nev., before they swapped those posts in the new Congress.

Paul said that much of the opposition to repatriations in the Congress is coming from the Republicans, who want a more comprehensive tax-reform program.

Repatriation of foreign corporate tax earnings is a popular transportation funding source being discussed in Congress, House Transportation and Infrastructure Committee, chairman Rep. Bill Shuster, R-Pa., said on Thursday at the U.S. Conference of Mayors' Winter Meeting.

The panel is working with the Ways and Means Committee to find a funding solution for a five-to-s-x-year transportation bill, according to Shuster.

An increase in the federal gasoline tax to bolster the HTF is unlikely, he said.

“I just don’t believe votes are there in Congress at this point to do that,” Shuster said.

The $302 billion, four-year transportation funding proposal that President Obama made last year relied on $150 billion of revenue from corporate-tax repatriations.

A similar plan was proposed by former Rep. Dave Camp, R-Mich., in 2014. It would have taxed all repatriated income at a reduced rate and would have generated $170 billion over 10 years for transportation funding.

The Joint Committee on Taxation said last year that reviving a 5.25% corporate tax holiday from 2004 could generate an additional $20 billion in the first two years but would result in an overall 20-year revenue loss of $96 billion.

Tax holidays provide an incentive for corporations to bring profits back into the United States for a short period, but that’s usually money that would be have come back anyway over the longer term, said Marc Goldwein, senior policy director at the Center for a Responsible Federal Budget.

U.S. multinational companies can defer taxes on non-financial income earned overseas until they bring the money back at the 35% corporate rate, Goldwein explained. American companies hold about $2 trillion in cash overseas, he noted.

“The real question about the repatriation plan is, will it be a one-time holiday or a transition to a U.S.-based tax like the Camp plan?” Goldwein said.

“The tax holiday is a terrible idea. A transition plan wouldn’t be the best idea, but it is better than the alternative.”

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