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Morning Tax

An early filing of the day's tax news

CHECKING IN ON REPAT: First the numbers — U.S. corporations repatriated some $777 billion in 2018 after the tax law cut the corporate rate and installed a transition tax on offshore income, Bloomberg's Laura Davison reported off of new data from the Commerce Department's Bureau of Economic Analysis.

Almost a third of that money came just from Bermuda ($231 billion), underscoring just how much profits multinationals have routed to lower tax countries. (Close to $139 billion also came back from the Netherlands.) Most of the repatriated funds also came back from just a few industries, like chemical manufacturers, electronic producers and financial services companies — in other words, lots of businesses with intangible assets.

But for what? A new study found that companies that faced large repatriation bills prior to the TCJA, H.R. 1 (115), have actually sped up their capital investment. But the catch is that they're investing more in overseas operations than here at home — "which is opposite of congressional intent," according to the study to be presented at the **American Accounting Association's annual meeting in August.**

The culprits? The new GILTI tax and the related FDII tax deduction. The study's four co-authors, all professors of accounting, compared capital spending at 1,804 public companies in the three quarters before and after

TCJA enactment. “We find that firms with high repatriation costs have a significantly greater increase in foreign property, plant, and equipment investments post-TCJA than pre-TCJA while these same firms with high repatriation costs have no change in domestic property, plant, and equipment investments during the same periods,” the study says. It adds that “firms can minimize their GILTI inclusion and maximize their FDII deduction by increasing foreign rather than domestic investment in tangible assets.”