

## TAMPA BAY Business Journal

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# Major companies assess advantages of tax break

Millions can be 'repatriated,' but that might not mean jobs

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Four Tampa Bay area companies could bring nearly \$1 billion in foreign profits back to the United States and get a one-time tax break on the earnings.

But it's not clear whether the tax savings will be lucrative enough to create jobs here.

Boosting employment was one of the reasons Congress approved the aptly named American Jobs Creation Act in October.

The measure contains a package of business incentives. Among them, it cuts the effective tax rate on profits held in U.S. companies' foreign subsidiaries to 5.25 percent for one year. Without the break, the foreign profits would be taxed at a 35 percent rate, excluding credits for taxes already paid in other countries.

Because of the tax hit, many U.S.-based multinationals, particularly those that face low tax rates in other countries, have kept their earnings outside the United States, often reinvesting them in foreign businesses or acquisitions, said Dave Benson, senior member of [Ernst & Young's](#) national tax group in Washington, D.C.

Benson said the American Jobs Creation Act was designed to encourage companies to reinvest in the U.S. economy. He said he's seen estimates ranging from \$200 billion to \$600 billion in total earnings that could come back to the United States.

"Congress intended to get money invested back into the U.S. and into jobs," said Jerry Ogle, a CPA and president of [Ogle & Co.](#), a Sarasota-based firm that specializes in providing international tax planning. "Offshoring is a hot topic, and Congress wanted to keep manufacturing and other types of jobs in the United States."

### Not a cut-and-dry decision

Few U.S. multinationals have made a decision on whether they should bring foreign earnings back to the United States, a move called repatriation, said Bob Heller, senior manager at Ernst & Young in Miami.

"We are evaluating it," said Beth Walters, director of investor relations at [Jabil Circuit Inc.](#) (NYSE: JBL), a St. Petersburg-based manufacturer of electronic components and systems. "It's not cut and dry whether it has value to us and whether we want to participate in it."

Jabil makes most of its money overseas.

Foreign source revenue represented 84.6 percent of its \$6.3 billion in revenue in the fiscal year that ended Aug. 31, according to the company's annual report filed Nov. 5 with the [Securities and Exchange Commission](#).  
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**Exchange Commission.** That was up from the prior year, when 80.7 percent of Jabil's revenue came from abroad, and the trend is expected to continue, the company said.

Most of the company's \$197.5 million in pre-tax profits also came from its operations in Europe, Asia and Latin America, according to the filing. Through Aug. 31, Jabil had piled up \$536.4 million in foreign profits, or "undistributed earnings."

The issue also is under review at **Tech Data Corp.** (Nasdaq: TECD), a Clearwater-based distributor of computer products, and at **Sykes Enterprises** (Nasdaq: SYKE), a Tampa-based customer service company that has drawn national media attention for shutting down some U.S. call centers in favor of those overseas.

"We are in the process of analyzing the numerous changes and inherent complexities contained in the (American Jobs Creation) Act," said Chuck Sykes, president and CEO, in a Nov. 2 conference call with analysts.

Many companies are waiting for additional guidance on what they could use the repatriated money for, said Chuck Dannewitz, treasurer at Tech Data.

#### Reinvestment plan

Among the several caveats Congress put in place to qualify for a tax break on the repatriated earnings is a requirement that senior management and the board of directors approve a "plan of reinvestment," Ogle said.

Congressional guidance said the plan could include funding for worker hiring and training, infrastructure, research and development, capital investments and the financial stabilization of the company for job retention.

"The plan cannot be for executive compensation," Ogle said.

There are numerous issues to consider before a company decides whether it will repatriate foreign earnings, Benson said, including whether companies need the money and are willing to pay taxes on it, even at a lower rate.

Most companies have not provided for any tax liability on the earnings and would require a bit of an educational campaign if they decide to repatriate their earnings, he said.

"Companies would have to make sure analysts and investors understand why for a particular quarter or a year their tax rates may spike," Benson said.

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