



# HP Policy Position

## Tax

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HP supports tax policies that encourage economic growth, promote a level-playing field, and increase the global competitiveness of HP. HP welcomes engagement with government officials to discuss tax reform proposals.

### HP's Policy Recommendations

#### U.S. comprehensive tax reform

- U.S. comprehensive tax reform should include a sound structural shift to a competitive territorial system, a corporate rate reduction, and a favorable repatriation policy as we transition to a modern federal tax code.
- Structural reforms to the corporate tax code should encourage a level playing-field, increase the global competitiveness of U.S. companies, and provide certainty for businesses that operate and source in the global marketplace and economy.

### Issue Background

#### U.S. comprehensive tax reform

As a U.S.-based company and a large domestic employer, HP supports U.S. comprehensive tax reform that will create a more level global playing-field and increase the competitiveness of HP. The U.S. tax code has slowly evolved into a temporary patchwork of provisions that deprive businesses of the certainty and predictability necessary for long-term planning. The non-partisan Tax Foundation's [International Tax Competitiveness Index](#) found that the United States ranked 31st in competitive tax systems out of the 35 Organisation for Economic Co-operation and Development (OECD) member countries.

*Territorial system:* Most of HP's foreign competitors operate under a territorial tax system, where income earned by foreign subsidiaries is subject to little or no domestic income tax, and where there is no significant tax penalty on distributing foreign profits to their home country. All other G-7 and nearly all OECD countries use territorial systems.

The core U.S. international tax provisions were enacted over 50 years ago, and the U.S. is the only major country that has not updated these laws to reflect the modern global economy and to attract investment. Transitioning the U.S. to a territorial system would be consistent with international norms and replace an overly complex worldwide approach to better enable U.S. firms to compete in global markets while increasing investment in the United States.

*Corporate rate:* The combined U.S. federal and state corporate tax rate is now the highest in the OECD. Many emerging economies not only have lower corporate tax rates of 10-20 percent, but also offer tax holidays and other incentives for the high-technology industry.

*International tax provisions:* HP derives many sales from customers outside the United States, which makes U.S. international tax provisions important to HP's ongoing operations. The United States taxes companies on a worldwide basis. The ability to defer taxes on active foreign earnings is essential to HP until a competitive territorial system is adopted. Maintaining a level playing field with foreign-based competitors, who are typically taxed on a territorial basis, will enable HP to continue reinventing and engineering experiences that amaze.

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