

Bipartisan talks

# Focus switches to highways and tax reform

## Crumbling roads and 'inversions' move towards top of political agenda

BARNEY JOPSON AND SAM FLEMING  
WASHINGTON

The narrow escape from a US government shutdown this week clears the way for Congress to grapple with a host of fiscal challenges, including a long-shot deal to pay for highways with tax reforms to deter mergers.

President Barack Obama on Wednesday night signed a bill that averted a shutdown by extending federal funding until December 11.

That gives lawmakers just over two months to search for long-term solutions to budget issues that have fallen victim repeatedly to partisan discord.

A potential deal over highways and tax would link two pressing challenges: crumbling US roads and anger over international mergers called "inversions", which US companies are using to gain low-tax access to earnings parked offshore.

The deal is being pursued by Paul Ryan, a Republican congressman and 2012 vice-presidential candidate, and Chuck Schumer, a senior Democrat who is tipped to be the party's next leader in the Senate.

While their talks are not advanced and face many hurdles, a deal would encourage US companies to repatriate billions of dollars in overseas earnings and use the resulting tax revenue to replenish diminishing funds for highway investment.

"Schumer and Ryan are discussing a potential deal on a long-term transportation bill paid for by international [tax] reform," said a congressional aide close to the talks.

US companies have more than \$1.1tn of earnings parked offshore, according to Moody's and, under current law, they

must pay US tax on them when they are brought home.

That deterrent has sparked inversions — deals in which a foreign company acquires a business — as US groups seek low-tax access to the earnings by shifting their tax bases to countries with reduced rates.

Inversions have been roundly criticised by Democrats and Republicans and one person familiar with the Capitol Hill talks said concern about the deals was "central" to the initiative.

"That's why you're seeing such a push to do something as soon as possible. People have seen investment and jobs flowing out of the US," the person said.

Terry Haines, managing director at Evercore ISI, an investment research house, said a tax and highways deal was also attractive to policymakers because it would provide an economic stimulus.

"Congress and the Obama administration have concluded that there is no other couch cushion under which you can find this sort of transportation money," he said.

In a tax plan two years ago, Mr Obama suggested using tax revenue from a mandatory repatriation of foreign earnings to pay for transportation funding.

A spokesman for Mr Ryan, the top tax legislator in the House of Representatives, said his office was in regular contact with the Treasury department on the issues, but added: "If there's going to be a deal, it will be with Schumer."

To reach a deal, Democrats and Republicans would need to bridge several divides.

On offshore earnings, Republicans favour voluntary rather than forced repatriation and want to levy a lower tax rate on the earnings than Democrats.

On highways, Democrats want to see an increase in transportation funding but Republicans want it to stay at current levels.

Republicans also want to lock in other pro-business tax reforms.

Il focus si sposta sulle autostrade e sulla riforma fiscale

