

The 'Revenge Tax' Slowdown



**How Section 899
Eliminates 700,000 U.S. Jobs
and Erases a Third of Economic Growth
from the One, Big, Beautiful Bill**



“Welcoming foreign investment and strengthening the United States’ world-leading capital markets will be a key part of America’s Golden Age My Administration will make the United States the world’s greatest destination for investment dollars.”

**Donald J. Trump
February 21, 2025**

“There are some, well-meaning in motive, who have proposed bills and programs that would invite retaliation by our trading partners abroad; would in turn lose jobs for those American workers in industries that would be the victims of such retaliation; would rekindle inflation; would strain international relations; and would impair the stability of the international financial and trading systems. The net result of these counterproductive proposals would not be to protect consumers or workers or farmers or businesses. In fact, just the reverse would happen. We would lose markets, we would lose jobs, and we would lose our prosperity.”

**Ronald Reagan
September 23, 1985**



Contents

06 .

Key Findings

Sec. 899 eliminates 700,000 U.S. jobs and erases a third of economic growth from the One, Big, Beautiful Bill.

24 .

Broader Strategic Risks of Section 899

Global tax chaos won't just harm international companies.

08 .

The Real-World Implications for Your State

See how many employers are targeted, jobs lost and economic growth squandered by Sec. 899 in your state.

26 .

Methodology Overview

This analysis aligns with the best practices of the federal government's top economic scorekeepers.

23 .

Republicans have Led on Pro-Growth Tax Policy

Republicans have a proud legacy of leading the world on forward-looking, pro-investment tax policy.

What Is Sec. 899?

The Ways and Means tax title includes retaliatory tax provisions, referred to by its code section, Sec. 899, that would fundamentally reshape how U.S. subsidiaries are taxed in response to foreign digital and extraterritorial tax regimes.

Who Section 899 Targets

Section 899 primarily targets foreign-parented companies and investors from countries that impose so-called “unfair foreign taxes” on U.S. firms. These include countries with digital services taxes (DSTs), undertaxed profits rules (UTPRs), and diverted profits taxes (DPTs)

How It Targets Them

Section 899 imposes those punitive and discriminatory tax hikes on those entities by:

- Raising withholding tax rates on U.S.-source income by up to 20 percentage points above statutory levels (including overriding treaty rates)
- Expanding the Base Erosion and Anti-abuse Tax (BEAT) to apply more broadly to inbound corporations—even if they don't meet normal thresholds
- Limiting key exemptions and credits, including the R&D credit and services cost method, making effective tax rates soar—often above 50 percent
- Increasing taxes on in-scope entities' effectively connected income from U.S. operations

About Us

As the premier voice of international companies in the United States, the Global Business Alliance (GBA) actively promotes and defends an open economy that welcomes international companies to invest in America. Our members are American companies with global heritage and an indispensable part of our nation's economic success. When America is open for business, we all benefit. Learn more about how international companies are benefiting U.S. workers and communities by visiting www.globalbusiness.org.

Key Findings

700,000

American
Jobs Lost

\$100B

GDP Lost
Annually

1/3

of the OBBB's
Economic Growth
Potential Lost

Sec. 899 Eliminates 700,000 U.S. Jobs

The **Section 899** tax proposal, intended as a retaliatory measure against foreign tax regimes, would reduce investment and eliminate hundreds of thousands of U.S. jobs, according to an independent third-party analysis.

The EY Quantitative Economics and Statistics (QUEST) practice's analysis shows that Sec. 899 would reduce U.S. GDP by **\$100 billion annually and eliminate as many as 700,000 American jobs** in the long run. This tax specifically punishes companies that invest, build and hire in the U.S.—particularly in manufacturing and R&D. **It will also lower U.S. wages, total investment and labor supply.**

Sec. 899 **undermines the pro-growth legacy of the Tax Cuts and Jobs Act** and contradicts President Trump's own America First Investment Policy.

The real victims aren't foreign governments—they're American workers in states like **South Carolina (12,900 jobs lost), Indiana (16,100), Tennessee (16,500), and Texas (61,700).**

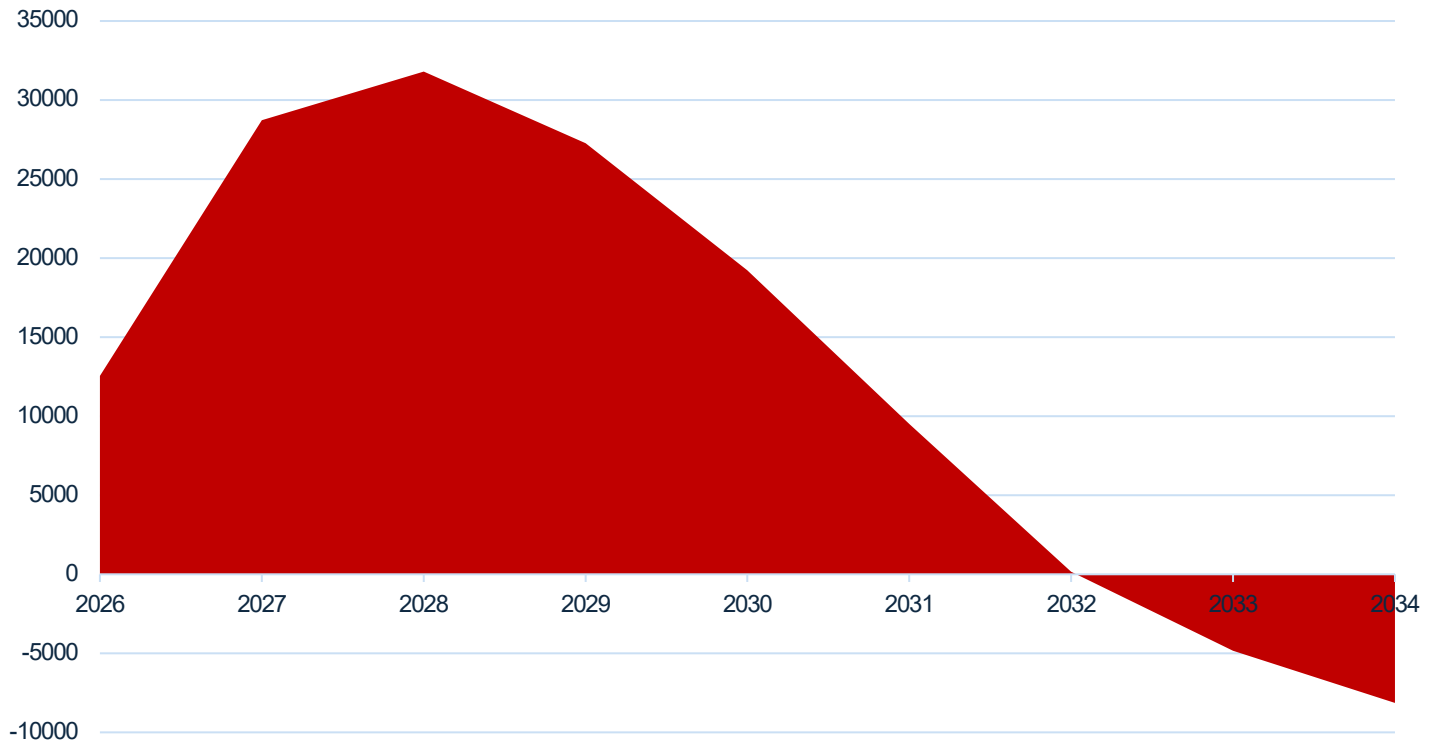
One Provision, One-Third Less Growth

The Joint Committee on Taxation projects that the full OBBB will grow the economy by **+0.4 percent** over the next 10 years, and that number takes into account the damage from Sec. 899.

The EY QUEST analysis shows that Sec. 899 alone drags GDP down by -0.2 percent. **Without it, OBBB would deliver a +0.6 percent boost to GDP.**

In other words, Section 899 erases a full one-third of the bill's pro-growth potential.

Sec. 899 Is a Revenue Loser in the Long Term



Source: Joint Committee on Taxation

A Tax Hike that Loses Revenue: The Joint Committee on Taxation (JCT) expects that this provision will collect less and less revenue starting in 2029, and even **lose nearly \$13 billion in tax revenue** in 2033 and 2034, as **targeted employers are forced to scale back their U.S. operations**.

Sec. 899 Hurts American Workers, not OECD Bureaucrats: JCT's analysis is a sobering admission that international companies will not be able to operate in such a high tax environment. The impact will be **felt by workers in communities like Paris, Kentucky, and London, Ohio, not Paris, France, or London, England**. As a result, U.S. workers, not foreign governments, would bear the brunt of the economic fallout.



Macroeconomic Impacts of Sec. 899

% Change in Level Relative to Baseline	2026-2029	2030-2034	Long Run
Gross Domestic Product	-0.2%	-0.2%	-0.3%
Investment	-1.9%	-1.6%	-0.8%
After-tax Wage Rate	*	-0.1%	-0.3%
Labor Supply	-0.2%	-0.2%	-0.1%
Private Capital	-0.1%	-0.3%	-0.8%

Annual Impact Scaled to 2026 U.S. Economy

Gross Domestic Product	-\$50b	-\$60b	-\$100b
Job Equivalents	-310,000	-410,000	-700,000

* Less than .05% in magnitude

Source: EY QUEST Analysis, available at www.globalbusiness.org/Sec899JobLoss

International Companies Drive U.S. Economic Growth, Innovation and Job Creation

Sec. 899 Threatens Great-Paying Jobs: Nationally, **8.4 million U.S. workers** are employed by international companies. Across the nation, these workers earn **seven percent higher** compensation than the economy-wide average – **making \$89,296 annually**.

Sec. 899 Threatens American Manufacturing: International companies support 2.9 million manufacturing jobs, **accounting for 22 percent** of total U.S. manufacturing employment.

Sec. 899 Threatens U.S. Innovation: International companies reinvest over **\$80 billion annually** in U.S.-based research and development.

Sec. 899 Punishes Companies for Investing and Creating Jobs in America



Source: BEA data

The Real-World Implications of \$100 Billion Lost Annually

The numbers in the EY QUEST analysis are staggering: **\$100 billion in lost GDP every year, 700,000 fewer jobs in the long run**, and a one-third reduction in the growth potential of the One, Big, Beautiful, Bill.

But this isn't just an abstract economic model. These losses will be measured in **fewer jobs, canceled expansions, shuttered research labs, and missed opportunities in communities across America.**

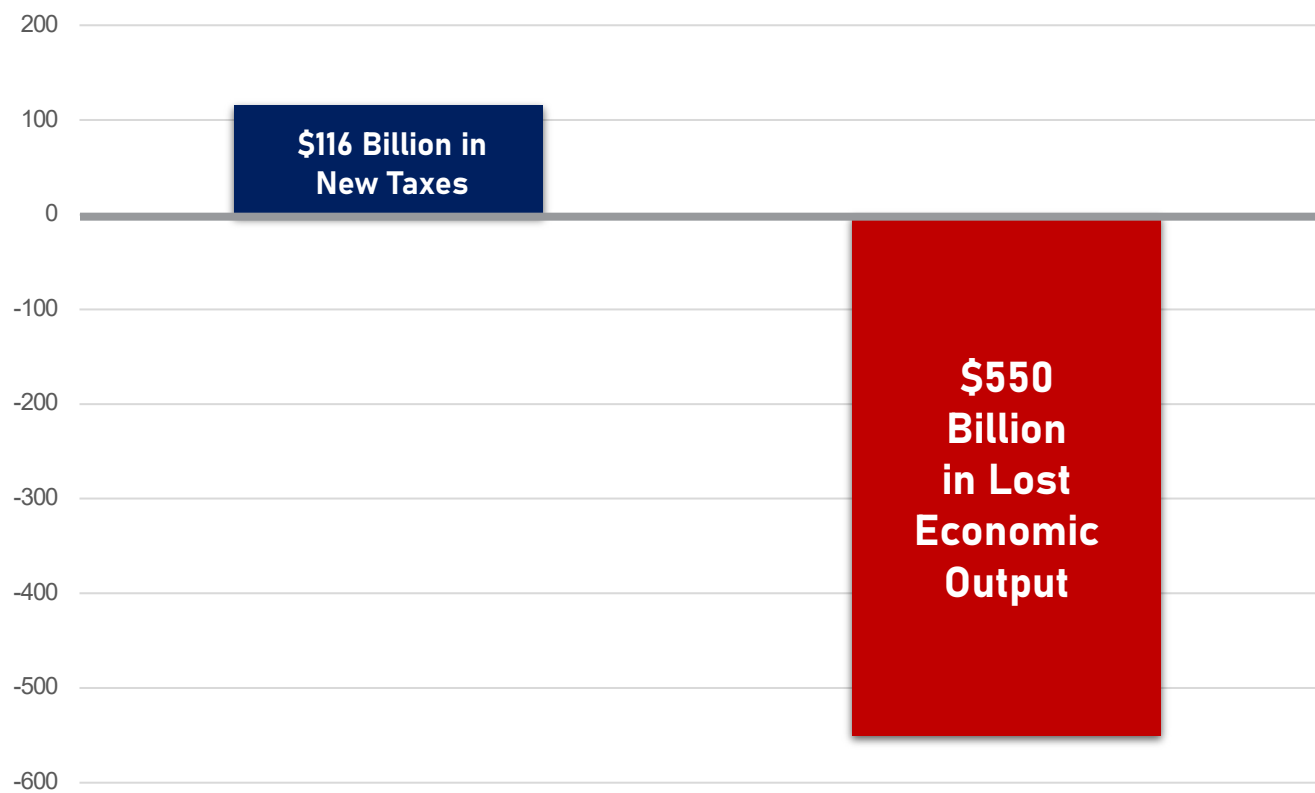
Today, international companies are making bold, forward-looking investments in American communities—the kind of **job-creating, productivity-boosting growth that should be encouraged, not penalized.**

These companies are building factories, expanding R&D hubs, and importing world-class know-how to up-skill U.S. workers.

These projects are already injecting billions into local economies and offering high-wage, long-term career paths to American workers. But those gains are at risk.

The investments happening right now show what's possible and what we stand to lose if Congress imposes **a punitive and discriminatory tax hike that punishes major U.S. employers for nothing more than choosing to invest and create jobs in the United States.**

Revenue vs. Economic Losses from the Sec. 899 Tax Hike



Sec. 899 Losses by State

Long-run annual macroeconomic impacts, by state

Sources: BEA, EY QUEST Analysis

Alabama

Employers Targeted by Sec. 899: 771

Jobs at International Companies: 132,400

Sec. 899 Lost Jobs: 10,300

Sec. 899 Economic Losses: \$1,500,000,000

Alaska

Employers Targeted by Sec. 899: 177

Jobs at International Companies: 15,200

Sec. 899 Lost Jobs: 1,400

Sec. 899 Economic Losses: \$200,000,000

Arizona

Employers Targeted by Sec. 899: 1,010

Jobs at International Companies: 144,600

Sec. 899 Lost Jobs: 13,200

Sec. 899 Economic Losses: \$1,900,000,000

Arkansas

Employers Targeted by Sec. 899: 558

Jobs at International Companies: 58,500

Sec. 899 Lost Jobs: 5,400

Sec. 899 Economic Losses: \$800,000,000

California

Employers Targeted by Sec. 899: 2,822

Jobs at International Companies: 852,300

Sec. 899 Lost Jobs: 77,500

Sec. 899 Economic Losses: \$11,100,000,000

Colorado

Employers Targeted by Sec. 899: 1,043

Jobs at International Companies: 126,600

Sec. 899 Lost Jobs: 12,200

Sec. 899 Economic Losses: \$ 1,700,000,000

Connecticut

Employers Targeted by Sec. 899: 853

Jobs at International Companies: 113,200

Sec. 899 Lost Jobs: 8,700

Sec. 899 Economic Losses: \$1,200,000,000

Delaware

Employers Targeted by Sec. 899: 516

Jobs at International Companies: 36,200

Sec. 899 Lost Jobs: 2,600

Sec. 899 Economic Losses: \$400,000,000

Florida

Employers Targeted by Sec. 899: 1,939

Jobs at International Companies: 487,000

Sec. 899 Lost Jobs: 44,200

Sec. 899 Economic Losses: \$6,300,000,000

Georgia

Employers Targeted by Sec. 899: 1,417

Jobs at International Companies: 288,500

Sec. 899 Lost Jobs: 23,700

Sec. 899 Economic Losses: \$3,400,000,000

Hawaii

Employers Targeted by Sec. 899: 350

Jobs at International Companies: 38,100

Sec. 899 Lost Jobs: 3,100

Sec. 899 Economic Losses: \$400,000,000

Idaho

Employers Targeted by Sec. 899: 497

Jobs at International Companies: 21,000

Sec. 899 Lost Jobs: 2,800

Sec. 899 Economic Losses: \$400,000,000

Illinois

Employers Targeted by Sec. 899:	1,659
Jobs at International Companies:	378,000
Sec. 899 Lost Jobs:	29,300
Sec. 899 Economic Losses:	\$4,200,000,000

Indiana

Employers Targeted by Sec. 899:	998
Jobs at International Companies:	218,300
Sec. 899 Lost Jobs:	16,100
Sec. 899 Economic Losses:	\$2,300,000,000

Iowa

Employers Targeted by Sec. 899:	576
Jobs at International Companies:	67,500
Sec. 899 Lost Jobs:	6,300
Sec. 899 Economic Losses:	\$900,000,000

Kansas

Employers Targeted by Sec. 899:	640
Jobs at International Companies:	73,200
Sec. 899 Lost Jobs:	6,300
Sec. 899 Economic Losses:	\$900,000,000

Kentucky

Employers Targeted by Sec. 899: 785

Jobs at International Companies: 149,500

Sec. 899 Lost Jobs: 10,700

Sec. 899 Economic Losses: \$1,500,000,000

Louisiana

Employers Targeted by Sec. 899: 612

Jobs at International Companies: 80,400

Sec. 899 Lost Jobs: 8,000

Sec. 899 Economic Losses: \$1,100,000,000

Maine

Employers Targeted by Sec. 899: 435

Jobs at International Companies: 36,800

Sec. 899 Lost Jobs: 3,000

Sec. 899 Economic Losses: \$400,000,000

Maryland

Employers Targeted by Sec. 899: 866

Jobs at International Companies: 122,800

Sec. 899 Lost Jobs: 11,600

Sec. 899 Economic Losses: \$1,700,000,000

Massachusetts

Employers Targeted by Sec. 899: 1,198

Jobs at International Companies: 236,600

Sec. 899 Lost Jobs: 18,200

Sec. 899 Economic Losses: \$2,600,000,000

Michigan

Employers Targeted by Sec. 899: 1,325

Jobs at International Companies: 326,800

Sec. 899 Lost Jobs: 23,500

Sec. 899 Economic Losses: \$3,400,000,000

Minnesota

Employers Targeted by Sec. 899: 914

Jobs at International Companies: 159,400

Sec. 899 Lost Jobs: 13,100

Sec. 899 Economic Losses: \$1,900,000,000

Mississippi

Employers Targeted by Sec. 899: 480

Jobs at International Companies: 49,800

Sec. 899 Lost Jobs: 4,900

Sec. 899 Economic Losses: \$700,000,000

Missouri

Employers Targeted by Sec. 899: 816

Jobs at International Companies: 134,300

Sec. 899 Lost Jobs: 12,100

Sec. 899 Economic Losses: \$1,700,000,000

Montana

Employers Targeted by Sec. 899: 334

Jobs at International Companies: 10,300

Sec. 899 Lost Jobs: 1,700

Sec. 899 Economic Losses: \$200,000,000

Nebraska

Employers Targeted by Sec. 899: 442

Jobs at International Companies: 39,000

Sec. 899 Lost Jobs: 3,900

Sec. 899 Economic Losses: \$600,000,000

Nevada

Employers Targeted by Sec. 899: 689

Jobs at International Companies: 63,800

Sec. 899 Lost Jobs: 6,100

Sec. 899 Economic Losses: \$900,000,000

New Hampshire

Employers Targeted by Sec. 899: 585

Jobs at International Companies: 52,300

Sec. 899 Lost Jobs: 3,700

Sec. 899 Economic Losses: \$500,000,000

New Jersey

Employers Targeted by Sec. 899: 1,382

Jobs at International Companies: 297,100

Sec. 899 Lost Jobs: 22,300

Sec. 899 Economic Losses: \$3,200,000,000

New Mexico

Employers Targeted by Sec. 899: 397

Jobs at International Companies: 20,100

Sec. 899 Lost Jobs: 2,700

Sec. 899 Economic Losses: \$400,000,000

New York

Employers Targeted by Sec. 899: 2,042

Jobs at International Companies: 546,500

Sec. 899 Lost Jobs: 44,400

Sec. 899 Economic Losses: \$6,300,000,000

North Carolina

Employers Targeted by Sec. 899: 1,350

Jobs at International Companies: 321,400

Sec. 899 Lost Jobs: 24,500

Sec. 899 Economic Losses: \$3,500,000,000

North Dakota

Employers Targeted by Sec. 899: 258

Jobs at International Companies: 15,600

Sec. 899 Lost Jobs: 1,600

Sec. 899 Economic Losses: \$200,000,000

Ohio

Employers Targeted by Sec. 899: 1,321

Jobs at International Companies: 322,900

Sec. 899 Lost Jobs: 25,700

Sec. 899 Economic Losses: \$3,700,000,000

Oklahoma

Employers Targeted by Sec. 899: 608

Jobs at International Companies: 64,700

Sec. 899 Lost Jobs: 6,700

Sec. 899 Economic Losses: \$1,000,000,000

Oregon

Employers Targeted by Sec. 899: 806

Jobs at International Companies: 68,200

Sec. 899 Lost Jobs: 7,200

Sec. 899 Economic Losses: \$1,000,000,000

Pennsylvania

Employers Targeted by Sec. 899: 1,321

Jobs at International Companies: 343,600

Sec. 899 Lost Jobs: 27,700

Sec. 899 Economic Losses: \$4,000,000,000

Rhode Island

Employers Targeted by Sec. 899: 436

Jobs at International Companies: 33,000

Sec. 899 Lost Jobs: 2,500

Sec. 899 Economic Losses: \$400,000,000

South Carolina

Employers Targeted by Sec. 899: 947

Jobs at International Companies: 184,900

Sec. 899 Lost Jobs: 12,900

Sec. 899 Economic Losses: \$1,800,000,000

South Dakota

Employers Targeted by Sec. 899:	286
Jobs at International Companies:	14,100
Sec. 899 Lost Jobs:	1,700
Sec. 899 Economic Losses:	\$200,000,000

Tennessee

Employers Targeted by Sec. 899:	981
Jobs at International Companies:	213,000
Sec. 899 Lost Jobs:	16,500
Sec. 899 Economic Losses:	\$2,400,000,000

Texas

Employers Targeted by Sec. 899:	2,169
Jobs at International Companies:	695,600
Sec. 899 Lost Jobs:	61,700
Sec. 899 Economic Losses:	\$8,800,000,000

Utah

Employers Targeted by Sec. 899:	646
Jobs at International Companies:	56,600
Sec. 899 Lost Jobs:	6,300
Sec. 899 Economic Losses:	\$900,000,000

Vermont

Employers Targeted by Sec. 899: 259

Jobs at International Companies: 14,600

Sec. 899 Lost Jobs: 1,300

Sec. 899 Economic Losses: \$200,000,000

Virginia

Employers Targeted by Sec. 899: 982

Jobs at International Companies: 209,600

Sec. 899 Lost Jobs: 18,100

Sec. 899 Economic Losses: \$2,600,000,000

Washington

Employers Targeted by Sec. 899: 1,116

Jobs at International Companies: 148,500

Sec. 899 Lost Jobs: 14,200

Sec. 899 Economic Losses: \$2,000,000,000

West Virginia

Employers Targeted by Sec. 899: 391

Jobs at International Companies: 30,600

Sec. 899 Lost Jobs: 2,800

Sec. 899 Economic Losses: \$400,000,000

Wisconsin

Employers Targeted by Sec. 899: 850

Jobs at International Companies: 135,900

Sec. 899 Lost Jobs: 12,000

Sec. 899 Economic Losses: \$1,700,000,000

Wyoming

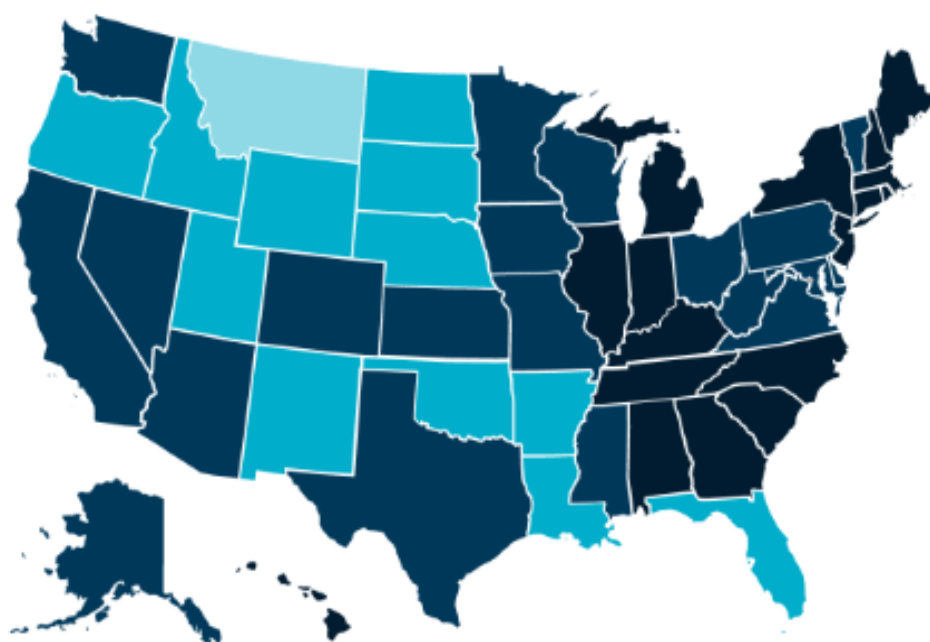
Employers Targeted by Sec. 899: 267

Jobs at International Companies: 11,400

Sec. 899 Lost Jobs: 1,200

Sec. 899 Economic Losses: \$200,000,000

Jobs at International Companies



Percent of Total Private-Sector Employment
Supported by Global Investment

● 0.1%-2.9% ● 3.0%-4.9% ● 5.0%-6.9% ● >7.0%

Source: BEA



Republicans Led the Way on Pro-Growth International Tax Policy

Republicans have a proud legacy of leading the world on forward-looking, pro-investment tax policy.

In 2017, with the passage of the Tax Cuts and Jobs Act (TCJA), President Trump and congressional Republicans not only lowered corporate tax rates and modernized the U.S. tax code—they also made the United States the first country in the world to implement a global minimum tax through the creation of the GILTI (Global Intangible Low-Taxed Income), FDI (Foreign-Derived Intangible Income) and BEAT (Base Erosion and Anti-abuse Tax) framework.

This move reinforced America's leadership on tax policy and demonstrated how **smart international tax policy can spur investment, job creation and global engagement.**

The result for U.S. competitiveness was immediate: **Inbound investment surged by 35 percent**, and international companies deepened their support for American workers, communities and innovation.

Section 899 reverses that momentum. Introducing confusion where Republicans once brought clarity, Sec. 899 targets the very companies whose investment strategy aligned with these policymakers' original vision.

Broader Strategic Risks of Section 899

Global Tax Chaos

While the EY analysis focuses on domestic economic consequences—like GDP loss, job cuts and lower investment—Sec. 899 also carries significant international and strategic risks that could destabilize the global tax system, weaken American influence and provoke retaliatory measures against U.S. companies.

Fueling a Global Tax Proliferation

Section 899 was designed as a retaliatory tool against foreign jurisdictions that impose “unfair foreign taxes,” such as Digital Services Taxes (DSTs) and Undertaxed Profits Rules (UTPRs). But rather than deterring these taxes, it may escalate global tensions, leading to more, not fewer, discriminatory foreign tax measures.

Other nations may interpret Sec. 899 as unilateral and punitive, prompting:

- **New or expanded digital and extraterritorial taxes**
- **Retaliatory “tit-for-tat” increases in withholding taxes**
- **Increased taxation of U.S.-based multinationals abroad**
- **Accelerated fragmentation of global tax norms and re-evaluation of existing tax treaties**

This turns what should be a negotiation into a global tax war, with American companies and workers caught in the crossfire.

Undermining Long-Standing U.S. Tax Treaties

Section 899 risks eroding the integrity of U.S. tax treaties, which have long been a foundation for investment stability and predictability.

By imposing higher taxes even on treaty-eligible payments, without explicitly overriding those treaties, Sec. 899 introduces legal uncertainty that may:

- **Trigger treaty disputes and arbitration**
- **Jeopardize protections for U.S. investors overseas**
- **Reduce America’s credibility as a rules-based partner**

This damages America’s reputation as a stable, treaty-abiding jurisdiction—at odds with decades of bipartisan leadership, which has contributed to the U.S. being the world’s top destination for investment.

Jeopardizing U.S. Economic Leadership

Section 899 may also undermine President Trump’s negotiating position with allies on Pillar Two and other initiatives. That’s because instead of pursuing constructive diplomacy and deal-making, it adopts a mandatory, go-it-alone penalty regime that alienates U.S. allies and complicates future diplomatic outcomes. This undercuts:

- **U.S. leadership in shaping a fair, growth-friendly international tax architecture**
- **Diplomatic leverage in pushing back against harmful foreign tax regimes**
- **Ongoing efforts to resolve global tax and trade disputes**

Sec. 899 Won't Just Harm Companies

Section 899's consequences extend even further into the capital markets that fund U.S. businesses and support American retirement savings.

According to data from the U.S. Department of the Treasury, foreign investors hold approximately \$17 trillion of U.S. equities. That equates to roughly a third of total U.S. corporate stock. By slapping higher taxes on these investors, Section 899 makes U.S. equities less attractive, driving capital elsewhere. By imposing steep new taxes on these investors, Section 899 makes U.S. stocks and bonds less attractive globally. That means:

- **Higher financing costs for U.S. companies**, especially mid-sized and growth-stage firms that rely on stock or bond issuance.
- **Increased volatility and capital flight**, as global funds reallocate to lower-tax jurisdictions.
- **Downward pressure on share prices**, which affects the **portfolios of millions of U.S. retirees—including those in 401(k)s and pension funds**.

In a capital-intensive economy, discouraging investment from one of our largest capital providers—foreign investors—is like raising the price of fuel during a supply crunch.

When foreign capital flees, financing costs for U.S. companies rise, growth slows, and stock valuations decline. **That affects not only business expansion and hiring, but also the value of 401(k)s, pensions, and taxable portfolios held by retired and hard-working Americans.**





The Path Forward

International companies are eager to deepen their investments in the United States by building factories, expanding R&D, and creating high-quality jobs in communities across the country.

They believe in the promise of America's workforce and remain committed to driving our economic future.

Without the inclusion of Section 899, the One, Big, Beautiful Bill presents a historic opportunity to strengthen U.S. competitiveness and **unlock a new era of growth**.

We urge the Senate to maximize the pro-growth spirit of this legislation by removing this punitive and discriminatory provision. Doing so will ensure that America remains the most attractive place in the world to invest, hire, and innovate.

Methodology Overview

The analysis presented in this report is derived from the, “Macroeconomic impacts of proposed IRC Section 899 in the House-approved budget reconciliation bill,” which was prepared on behalf of GBA by the EY Quantitative Economics and Statistics (QUEST) practice.

This analysis uses the EY Macroeconomic Model, a dynamic, overlapping generations (OLG) general equilibrium framework commonly used to assess long-term tax policy impacts. It is methodologically consistent with some models used by the Joint Committee on Taxation (JCT), the Congressional Budget Office (CBO), and the U.S. Treasury.

Like those models, EY’s approach estimates how tax policy changes affect decisions to work, invest, and produce, capturing long-run effects on GDP, labor income, and capital formation. The model incorporates behavioral assumptions and revenue baselines drawn from JCT, while relying on peer-reviewed academic research on international tax sensitivity.

While independently developed, this model aligns with the analytical best practices of the federal government’s top economic scorekeepers. A full copy of the EY QUEST report, including its methodology, caveats, and limitations, is available at www.globalbusiness.org/Sec899JobLoss.

