



The Chemical Company

August 17, 2009

The Honorable Kate Elbi
Chair, Committee on Tax Policy
Michigan State House of Representatives
Lansing, MI 48909-7514

Dear Chairwoman Elbi:

BASF Corporation, which operates facilities in Wyandotte, Southfield, Livonia, Wixom and Mattawan, offers its support for SB 219, a technical modification to the Michigan Business Tax (MBT). This bill would ensure that a U.S. business with a foreign parent, such as BASF, is not taxed twice on its interest payments to the parent corporation. SB 219 passed the State Senate 36-0. It is scheduled for a hearing on August 19 before your committee.

Currently, the Michigan business tax statute contains a provision to prevent companies from deducting interest expense where the intercompany interest is paid by a Michigan taxpayer to a related company at rates in excess of arms length. The problem is that the law does not provide a clear exception to allow full deductibility where legitimate interest payments are made from a business to its foreign parent or affiliate in a foreign country with which the U.S. has a double taxation treaty.

Modifying the MBT will have two benefits. First, Michigan will be respecting foreign treaties lawfully enacted by the U.S. and help to ensure that foreign subsidiaries of U.S. businesses are afforded the protections guaranteed by treaties. Second, Michigan will create a more investor-friendly environment in the state, thereby creating more jobs and opportunities for its citizens, and ensuring that it will remain competitive with other states whose income tax provisions clearly permit the deduction of interest paid to foreign parents.

Thank you for considering BASF's position in support of SB 219.

Sincerely,

A handwritten signature in black ink that reads "Michael E. Heltzer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael E. Heltzer
Government Affairs Manager

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