



Written by [Bob Adelman](#) on September 17, 2018

Repatriation of Foreign Earnings Gaining Momentum

When addressing business executives at his golf course in Bedminster, New Jersey, in August, President Donald Trump [said](#), “We expect to have in excess of \$4 trillion [in foreign earnings held overseas by American companies] brought back very shortly. Over \$4 [trillion] but close to \$5 trillion, will be brought back into our country. This is money that [otherwise] would never, ever be seen again by the workers and the people of our country.”



The Commerce Department estimates that more than \$300 billion of those profits stashed abroad were repatriated in just the first quarter of this year alone, surpassing the total repatriated in all of 2016 and 2017. White House spokeswoman Lindsay Walters said that future repatriations are coming: “There are reasons to expect that [first quarter’s] pace to remain strong, as large-scale corporate financial decisions like this aren’t made overnight.” As Scott Levine, a tax partner at Jones Day LLP, noted, “Sometimes you just can’t move cash from point A to point B by just pushing a button. We [help our clients] find ways to get the cash home, but [we’re] always worried that there’s something [in the new tax law] that you didn’t read right.”

Nevertheless, major corporations with billions held overseas are bringing those billions home to be reinvested here. General Electric, for example, isn’t planning major repatriations in the short run. But said the company, “While we do not plan on repatriating a significant amount of cash from offshore in the near term, the new tax law is beneficial in the long run. It gives us greater flexibility when it comes to allocating capital [in the future].”

Tim Cook, Apple’s Chief Executive, told its investors that it would be bringing the “vast majority” of its estimated \$250 billion in foreign cash to the United States “over time” as part of its overall investment strategy in this country. American technology company Cisco said it has already brought back \$70 billion in foreign profits, while drug company Eli Lilly & Co. has moved \$9 billion from overseas. It is using those repatriated profits for acquisitions, employee stock grants, pension plan funding, and other investments.

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United Technologies, maker of Otis Elevators and Pratt & Whitney jet engines, has repatriated more than \$5 billion so far this year to help with its purchase of Rockwell Collins Inc., a defense contractor and aviation equipment maker. Walmart said it plans to repatriate \$5 billion this month and invest the proceeds in its domestic operations.

Some companies, such as Chevron Corp. and Archer Daniels Midland Co., are investing their foreign profits into their foreign subsidiaries, building factories and purchasing equipment and other assets. Many companies are waiting for the dust to settle on the new tax code, the details of which are still being ironed out. Others find that they don’t need to repatriate their foreign profits as they have easy access to local lending sources, or have plenty of cash on hand to fund current projects.



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Most of the repatriated funds are being invested rather than being returned to investors. According to the Federal Reserve, the top 15 holders of foreign earnings returned just \$23 billion of the more than \$300 billion repatriated in the first quarter in the form of share buybacks. And even those buybacks, by tending to push their companies' stock prices higher, offer investors the opportunity of taking some of their profits and reinvesting them elsewhere in the U.S. economy. Kevin Hassett, chairman of Trump's Council of Economic Advisors, argues that stock buybacks benefit the economy by getting money to shareholders who then reinvest it in other domestic companies.

Trump's claim that the bulk of those foreign earnings will be "brought back very shortly" might reflect excessive enthusiasm, but they are coming, for one simple reason. As Walter Wriston, the former chairman and CEO of Citicorp, said, "Capital goes where it's welcome and stays where it's well treated." Under Trump's tax reform, those foreign profits are being welcomed home and are being treated well.

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