

## TAMPA BAY Business Journal

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# Big break: TECO 'repatriates' \$9M from overseas

Tampa Bay Business Journal - October 21, 2005 by [Margie Manning](#) Senior staff writer

TAMPA -- [TECO Energy Inc.](#) is the first public company in the Tampa Bay area to take advantage of a one-time federal tax break on profits earned in foreign countries.

In the first half of 2005, TECO (NYSE: TE) brought \$9 million in profit back to the United States from a Guatemalan subsidiary.

It's possible the company would bring back additional profits in the fourth quarter of 2005, Mark Kane, director of investor relations, said.

At least three other Bay area companies -- [Tech Data Corp.](#) in Clearwater, [Jabil Circuit Inc.](#) in St. Petersburg and [Sykes Enterprises](#) in Tampa -- have told the Securities and Exchange Commission that they are considering bringing foreign earnings back to the United States, a move called "repatriation."

Congress cleared the way for the move with passage of the American Jobs Creation Act of 2004. It contains a package of business incentives, including cutting the effective tax rate on profits held in U.S. companies' foreign subsidiaries to 5.25 percent for one year. Without the break, foreign profits are taxed at 35 percent, excluding credits for taxes paid in other countries.

It's too soon to tell whether companies are using the tax break to create jobs, which has been an outcome widely touted by the measure's proponents, said Susan Albring, a University of South Florida School of Accountancy assistant professor who is compiling data on repatriation.

"Provisions are broad enough that it will be difficult to tie repatriations directly to job creation," Albring said.

Other allowed uses of repatriated funds include training an existing work force, research and development, investing in new plant and equipment, marketing and repaying debt, said Jerry Ogle, president of [Ogle & Co.](#), a Sarasota firm that specializes in providing international tax planning.

TECO used its repatriated profits to help pay off \$380 million in high-interest corporate debt, Kane said.

That fits Congress' intentions, said Ogle.

"Bring the money back, pay off debt, and you've now increased the stability of the company and it's better able to employ U.S. workers," Ogle said.

### Tax savings on ships

TECO brought back profits from its Guatemalan operations previously under a higher tax rate,

Kane said. Last year, TECO repatriated \$51.2 million in offshore cash, according to SEC filings. The company said in a Sept. 28 investor presentation that its Guatemalan subsidiary, which includes two power plants and a minority stake in a distribution utility, has returned more than \$100 million in cash to the corporate parent since 1995.

The company also is taking advantage of a separate provision in the Jobs Creation Act that cuts the income tax rate on earnings from U.S. flag ocean-going vessels in full-time international trade, said President and COO John Ramil in a July 27 conference call with analysts.

The idea is to help U.S. flag vessels compete with foreign flag vessels and keep jobs on the U.S. vessels, Kane said.

TECO Transport, a water transportation subsidiary that moves coal and other commodities, has one ocean-going vessel that qualifies for the lower tax rate this year, and others may qualify later in the year, Ramil said.

#### Tallying the numbers

USF's Albring and Lil Mills at the [University of Arizona](#) are gathering disclosures on repatriation plans during 2005 by some of the largest companies in the United States.

Of the 113 companies that disclosed permanently reinvested foreign earnings topping \$500 million in 2002, about 40 percent announced repatriations in the second quarter of 2005. The amounts brought back to the United States range from \$53 million to \$36 billion, Albring said.

Another 5 percent said they are likely to repatriate earnings, ranging from \$20 million to \$3 billion; 40 percent said they are still evaluating the move; 10 percent said nothing; and 5 percent said they do not expect to repatriate.

New York-based investment advisory firm [International Strategy & Investment Group Inc.](#) said New York-based pharmaceutical giant [Pfizer Inc.](#) (NYSE: PFE), with \$36.9 billion, leads its list of 91 public companies planning to bring foreign profits back.

There also are a large number of private companies that are repatriating overseas profits, Ogle said. The private firms like the cash flow boost repatriation provides, he said, and don't have to explain the tax consequences to shareholders.

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