

House Committee on Ways and Means
Member Day Hearing on Matters Within the Committee's Tax Jurisdiction
Testimony from Rep. Uifa'atali Amata Radewagen

10:00 AM, Wednesday, January 22, 2025

1100 Longworth House Office Building

Thank you, Chairman Smith and Ranking Member Neal, for allowing me to submit testimony on my bill, H.R. 399, *To permanently extend the American Samoa economic development tax credit*.

American Samoa relies upon the operation of a tuna cannery to provide economic vitality to the island. This cannery has become the largest private-sector employer on the island, providing 2,450 jobs, or approximately 25 percent of the island's employment. Despite the economic challenges, the operation of this cannery is crucial for the economic sustainability of American Samoa, as it, along with its associated fishing operations, contributes to a third of the island's gross domestic product. Other related industries on the island, such as fueling, shipping, and stevedoring, depend on the ongoing activities of the cannery to support their own operations. This economic activity has allowed American Samoan citizens to retain meaningful employment, along with a reliable income and valuable fringe benefits.

My bill, H.R. 399 would permanently extend the American Samoa Economic Development Credit (ASEDC), which expired on January 1, 2022, after repeated renewals. The ASEDC was designed to encourage investment in the U.S. insular areas and create jobs by reducing the federal taxes on income earned by qualifying U.S. businesses. The credit has helped to alleviate the significant competitive disadvantages facing businesses in the territory, helping companies, including the cannery, continue operations on U.S. soil while competitors increasingly move business overseas to take advantage of cheap labor and foreign subsidies.

The ASEDC was routinely extended as part of an annual package of tax extenders since its creation in 1996, until it expired on January 1, 2022. The credit was typically extended for 1-3 years at a time and had been renewed and made retroactive nine times since 1996. Since the credit's expiration, companies in American Samoa have had to consider either significantly reducing their operations or exploring the possibility of relocating to more viable economic environments. The American Samoan government estimates that such relocations could cause a financial crisis from which the island economy may never recover.

The credit represents an offset of approximately a quarter of the cannery's annual labor costs. For comparison, relocation of the cannery to outside the U.S. would cut costs by nearly three-fourths. Competing canneries in Asia pay their workers the equivalent of less than two dollars an hour under harsh and unsafe conditions. To be frank, StarKist has expressed a strong desire to remain in American Samoa under the US flag, where workers' rights are better protected, but the fact remains that they require government support to remain competitive.

A 2023 GAO report noted that "reductions in the tuna canning industry would likely also affect support industries such as transportation and warehousing, retail and wholesale, and construction in American Samoa." The tax credit also represents an opportunity for further

development of the American Samoan economy. While we are primarily a fishing town, the credit could be used to attract other industries and revenue streams for the island.

Thank you again Chairman Smith, RM Neal and the rest of the Ways and Means Committee for the opportunity to speak today. Given the low cost of the credit compared to its immense economic benefit to American Samoa, I strongly encourage my colleagues to pass H.R. 399 to permanently extend the ASEDG.

Additional Background Information and Statistics:

- H.R. 399 would permanently extend the American Samoa Economic Development Credit (ASEDC), which expired on January 1, 2022, after repeated renewals.
- The ASEDC was designed to encourage investment in the U.S. insular areas and create jobs by reducing the federal taxes on income earned by qualifying U.S. businesses. The credit has helped to alleviate the significant competitive disadvantages facing businesses in the territory, helping companies, including StarKist, continue operations on U.S. soil while competitors increasingly move business overseas to take advantage of cheap labor and foreign subsidies.
- The credit offsets the U.S. tax imposed on taxable non-U.S. source income from (1) the active conduct of a trade or business within a U.S. possession, (2) the sale or exchange of substantially all of the assets that were used by taxpayer in such a trade or business, or (3) qualified possessions investment.
- The ASEDC was routinely extended as part of an annual package of tax extenders since its creation in 1996, until it expired on January 1, 2022. The credit was typically extended for 1-3 years at a time, and had been renewed and made retroactive nine times since 1996.
- According to a 2020 GAO report, the ASEDC offsets about a quarter of the cannery's annual labor costs, from \$23 million to \$18 million. By comparison, relocating out of the U.S. would cost about \$5 million in annual labor costs.¹
- Since the credit's expiration, companies in American Samoa have had to consider either significantly reducing their operations or exploring the possibility of relocating to more viable economic environments. The American Samoan government estimates that such relocations could cause a financial crisis from which the island economy may never recover.²
- A 2023 GAO report³ noted that "reductions in the tuna canning industry would likely also affect support industries such as transportation and warehousing, retail and wholesale, and construction in American Samoa."
- The latest CBO analysis⁴ (2022) scored the credit's renewal at approximately \$8.5 million a year

¹ U.S. Government Accountability Office. "American Samoa: Economic Trends, Status of the Tuna Canning Industry, and Stakeholders' Views on Minimum Wage Increases." | U.S. GAO, Government Accountability Office, 11 June 2020, www.gao.gov/products/gao-20-467.

² U.S. Economic Development Administration. "Comprehensive Economic Development Strategy 2018-2022." 9 Feb. 2018 <https://policy.asiapacificenergy.org/sites/default/files/American%20Samoa%27s%20Comprehensive%20Economic%20Development%20Strategy%202018-2022.pdf>

³ U.S. Government Accountability Office. "U.S. Territories: Public Debt Outlook - 2023 Update." | U.S. GAO, Government Accountability Office, 29 June 2023, www.gao.gov/products/gao-23-106045

⁴ <https://www.cbo.gov/system/files/2022-05/51138-2022-05-Revenue-Projections.xlsx>