April 15, 2015

U.S. Senate Committee on Finance
Business Income Tax and International Tax Working Groups
Via email to: Business@finance.senate.gov and International@finance.senate.gov

Re: Comments on Bipartisan Tax Reform

Dear Senate Finance Committee Members:

On behalf of Americans for Tax Fairness, a coalition of 425 national and state endorsing organizations, I am submitting these comments for your consideration. These comments consist of seven parts:

1. **ATF's Corporate Tax Reform Principles:** Guides ATF's consideration of tax reform legislation.
2. **ATF Report: Next Steps Toward Tax Fairness Revenue Options.** While issued in February 2013, all of its policy recommendations are still applicable today.
3. **ATF's Corporate Tax Rates fact sheet:** Explains that we do not believe U.S. companies suffer from an uncompetitive tax rate.
4. **ATF's Offshore Corporate Tax Loopholes fact sheet**: Explains our priority for closing offshore loopholes – specifically ending deferral (Sen. Sanders' Corporate Tax Dodging Prevention Act of 2015), and in lieu of that closing offshore loopholes recommended by Sen. Whitehouse in the Stop Tax Haven Abuse Act.
5. **ATF's Corporate Tax Inversions fact sheet:** Endorses Sen. Durbin's legislation that would make corporate inversions very difficult to undertake.
6. **ATF's CEO Pay fact sheet:** Endorses the Stop Subsidizing Multimillion Dollar Corporate Bonuses Act sponsored by Sens. Jack Reed and Sen. Richard Blumenthal.
7. **Compilation of Polling Questions on Corporate Tax Issues:** This is the most comprehensive review of polling on this subject that exists.

We thank you for considering our views.

Sincerely,

Frank Clemente
Executive Director

CORPORATE TAX REFORM PRINCIPLES

January 30, 2015

For a better future, elected leaders must make sure that the wealthy and big corporations pay their fair share of taxes. This will allow us to generate the revenues needed to ensure economic security for families and seniors and to make investments in education, energy, roads and research needed to grow the economy and create jobs. Lawmakers must also make permanent the improvements in critical tax credits that can lift people out of poverty, incentivize work and give more people a chance to join the middle class.

Special-interest tax breaks let many big corporations pay well below the 35 percent tax rate. Loopholes let some profitable corporations pay less in federal income taxes than a single middle-class family pays. Our tax system encourages corporations to abandon their responsibility to America by lowering their taxes when they shift jobs and profits offshore.

To create a system that promotes tax fairness while helping working families and Main Street businesses, Americans for Tax Fairness proposes the following corporate tax reform principles:

1. Corporations need to pay their fair share of taxes.

- Corporate tax reform must raise significant revenue over the long term to pay for services and investments that benefit our families and communities. ”Revenue neutral” reform that closes loopholes to pay for lower corporate tax rates is not acceptable.
- Corporations have not contributed a dime to deficit reduction. Yet, since 2010 the rest of us have suffered from cuts of $2.5 trillion (over 10 years) to services we rely on in order to reduce the deficit.
- Cost estimates of corporate tax reform must be honest and realistic and not use funny math and timing gimmicks, such as dynamic scoring and manipulated baselines.

2. Our tax system should not encourage corporations to shift jobs or profits offshore.

- Offshore profits should not be taxed at a lower rate than domestic profits because this creates an incentive for companies to move production offshore and to disguise domestic profits as offshore profits. This gives multinational corporations an unfair edge over small businesses and domestic companies.
- The tax break that allows corporations to indefinitely defer U.S. taxes on their offshore profits should be repealed. “Deferral” allows corporations to pay lower taxes when they move operations offshore and when they disguise domestic profits as offshore profits.
- The U.S. must *not* adopt a “territorial” tax system, in which U.S. companies would pay little or no U.S. taxes on their offshore profits. Such a system would only increase the tax incentives for U.S. companies to shift jobs and profits offshore.

- The $2 trillion in untaxed profits that corporations have already accumulated offshore should not be treated in a way that gives corporations an incentive to shift jobs or profits offshore in the future, such as through a repatriation tax holiday.

3. **Our tax system should discourage financial speculation and encourage corporations to make long-term investments in their companies and to increase wages as productivity and profits rise.**
   - A small tax should be levied on financial transactions to rein in Wall Street speculation, encourage productive long-term corporate investment, and generate significant revenue for public investment.
   - A small tax should be levied on the largest financial firms with the most debt to discourage behavior that increases the risk of another financial crisis.
   - The tax deductibility of executive "performance pay" (such as stock options and bonuses) should be eliminated. This tax break has boosted executive pay and incomes of the 1 percent while increasing pressure on corporations to maximize short-term stock prices. This encourages lower wages, downsizing, outsourcing, and offshoring.

NEXT STEPS TOWARD TAX FAIRNESS:
Options for Closing Loopholes for the Richest 2% and Big Corporations

The fiscal-cliff tax deal passed by Congress in early January was only a first step toward ensuring that the richest Americans pay their fair share of taxes. And it did not ask corporations to contribute any new tax revenues to help reduce the deficit or to make new investments to grow the economy.

By closing loopholes and ending tax breaks for powerful special interests, Congress can raise the revenue needed to reduce the deficit, protect vital programs, and make the economy strong again. A summary of options for doing that is below; a more detailed list follows.

SUMMARY: OPTIONS FOR RAISING TAX REVENUES OVER 10 YEARS	
1. End corporate tax breaks for shifting jobs and profits offshore	$221-$606 billion
2. Close other corporate tax loopholes and tax breaks	$162 billion
3. Place a small sales tax on Wall Street trading	$353 billion
4. Limit tax deductions for the richest 2%	$513 billion
5. Close loopholes that allow the very wealthy to shield income from taxation	$1.5-$1.7 trillion
6. Place a 5%-5.6% surtax on the incomes of millionaires or multimillionaires	$107-$453 billion

Note that not all of the nearly 300 organizations that make up Americans for Tax Fairness necessarily endorse all of these options. However, they agree that the first priority of Congress should be to create a more fair tax system, rather than reducing the deficit on the backs of the middle class and the poor – and that there are multiple ways of advancing that goal.

The fiscal-cliff tax deal passed by Congress in early January was only a first step toward ensuring that the richest Americans pay their fair share of taxes. And it did not ask corporations to contribute a dime to help reduce the deficit or to make new investments to grow the economy.

The middle class and the poor are still bearing most of the burden when it comes to reducing the deficit: in federal budget agreements so far, there has been $1.5 trillion in program cuts and just $600 billion in new tax revenues.[1] That means for every $2.50 in cuts there has been just $1 in new revenue. Because of the fiscal-cliff tax deal, some rich Americans will have to pay a little more in taxes – but many loopholes and tax breaks that benefit corporations and the wealthy went untouched.

A recent poll by Hart Research shows that Americans agree: Congress should require the richest 2 percent to pay more in taxes and close corporate tax loopholes, rather than cut Social Security, Medicare and Medicaid benefits, education and other vital programs.[2]

DETAILED OPTIONS FOR RAISING TAX REVENUES OVER 10 YEARS	Savings ($ billions over 10 years)
End corporate tax breaks for shifting jobs and profits offshore • **End the ability of U.S. corporations to delay paying taxes on foreign profits by repealing "deferral.** Deferral allows corporations to delay paying taxes on the profits from their overseas subsidiaries until those profits are repatriated back to the U.S. This would tax profits made overseas the same as profits made in the U.S., with a credit for foreign taxes paid [Savings: $606 billion; Joint Committee on Taxation (JCT) estimate updated by Citizens for Tax Justice (CTJ)] • **Close various international tax loopholes** ▪ End companies taking immediate deductions against their U.S. taxes for interest expenses associated with offshore operations [$65 billion; JCT/CTJ] ▪ Make sure the foreign tax credit, which prevents double taxation, does not exceed the amount necessary to achieve that goal [$60 billion; JCT/CTJ] ▪ Reduce abuses that shift patents and other intangible property to tax havens [$21 billion; JCT/CTJ] ▪ Eliminate or reform "check-the-box" rules that make it easy for corporations to move profits to overseas tax havens [$41 billion; JCT/CTJ]	**$221-$606**
Close other corporate tax loopholes and tax breaks • End abuses of inventory accounting (Repeal "Last In, First Out" (LIFO) and "Lower of Cost or Market" (LCM) rules) [$70 billion; JCT] • End special fossil-fuel tax breaks [$25 billion; JCT] • End stock option loopholes [$25 billion; JCT] • Cap tax deductibility of executive compensation, which was done under TARP and the ACA [$42 billion; Economic Policy Institute]	**$162**
Place a small sales tax on Wall Street trading Apply a tax of 30 cents for every $1,000 in trades (0.03 percent) of stocks, bonds, derivatives, and other financial products [$353 billion; JCT]	**$353**
Limit tax deductions for the richest 2% Reduce the value of tax deductions and exclusions to 28%, as proposed by President Obama, which would affect the richest 2% [$513 billion; JCT estimate updated by CTJ).	**$513**
Close loopholes that allow the very wealthy to shield income from taxation • Close the inherited capital gains tax loophole [Savings: About $500 billion; JCT] • Tax capital gains and dividends of the richest 2% at the same rate as ordinary income [About $500 billion; CTJ] • Restore a robust estate tax affecting fewer than 2% of estates [$114-249 billion; JCT) • Close loopholes in the estate tax [$24 billion; Treasury Dept.] • Curb the deferral of tax on income from the purchase of annuities or life insurance policies by wealthy investors [$260 billion; Congressional Budget Office (CBO)] • Limit excessive IRA accumulations for investment fund managers [No estimate] • Ensure millionaires pay at least a 30% tax rate ("Buffett Rule") [$54 billion; JCT] • Close the "like-kind exchange" loophole, which allows real-estate investors and multinational corporations to sell property at an appreciated price while avoiding capital gains taxes [$28 billion; CTJ] • Close the "carried interest" loophole for investment fund managers [$17-21 billion; JCT and CBO] • Eliminate the Medicare loophole for S Corporations [$11 billion; JCT] • Deny the mortgage interest deduction for vacation homes and yachts [$15 billion; Committee for a Responsible Federal Budget] • Close the tax loophole for derivatives traders [$3 billion; JCT]	**$1,526-$1,665**
Place a 5%-5.6% surtax on the incomes of millionaires or multimillionaires • Set a $1 million threshold at 5.6% [$453 billion; JCT] • Set a $10 million threshold at 5% [$107 billion; JCT]	**$107-$453**

AMERICANS FOR TaxFairness

NEXT STEPS TOWARD TAX FAIRNESS:

Options for Closing Loopholes for the Richest 2% and Big Corporations

Income at the top has soared in recent years as the income of the middle class has stagnated. The average federal tax rate for the top 1 percent of households declined from 35.1 percent to 28.9 percent between 1979 and 2009.[3] The share of federal revenue from the corporate income tax has plummeted by 75 percent in the last 60 years,[4] while corporate America's profits have soared. Meanwhile, over the last 4 years, federal revenues have been the lowest they've been as a share of the economy since 1950: Revenues have averaged 15.4 percent, compared to 20 percent during 1998-2001, the last time the federal budget was balanced.[5]

The middle class and the poor are still bearing most of the burden when it comes to reducing the deficit. It's time for Congress to require the richest 2 percent and corporations to pay their fair share of taxes, rather than cut Social Security, Medicare and Medicaid benefits, education and other vital programs. Multiple options for doing just that are described below.

I. End Tax Breaks to Corporations for Shifting Jobs and Profits Offshore

Revenue: $221-606 billion over 10 years; Joint Committee on Taxation estimate updated by Citizens for Tax Justice

The largest corporate tax loopholes are those that allow multinational corporations to avoid U.S. tax by locating investments or profits offshore. The fundamental way in which our tax system encourages the offshoring of jobs and corporate profits is that U.S. multinationals are allowed to "defer" (delay) paying taxes on the profits of their overseas subsidiaries until those profits are "repatriated" (brought back to the U.S.). As the Congressional Budget Office (CBO) explains:

> *The current tax system provides incentives for U.S. firms to locate their production facilities in countries with low taxes as a way to reduce their tax liability at home. Those responses to the tax system reduce economic efficiency because the firms are not allocating resources to their most productive use…The current system also creates incentives to shift reported income to low-tax countries without changing actual investment decisions.*[6]

In other words, our tax code subsidizes companies that shift profits and actual operations overseas, which costs revenue and jobs and ultimately drives down the wages of U.S. workers. The use of dodgy accounting schemes to shift corporate profits to offshore tax havens costs the United States as much as $90 billion a year in revenue.[7] Reforms are needed to stanch this massive revenue loss and level the playing field for investment and job creation in the United States.

There are two basic approaches to addressing tax breaks for corporate offshoring. The stronger approach would repeal deferral entirely. The more modest approach would close various loopholes that subsidize offshoring and allow tax avoidance.

- **End the Ability of U.S. Corporations to Delay Paying Taxes on Foreign Profits by Repealing "Deferral"**
  Revenue: $606 billion over 10 years; Joint Committee on Taxation estimate updated by Citizens for Tax Justice

  The way to completely remove the tax incentives to send jobs and profits offshore is simply to repeal deferral. Then U.S. corporations would pay current U.S. taxes on their foreign profits, as they do on domestic profits. They would continue to receive a credit for foreign taxes paid on their offshore profits (the foreign tax credit) so that they would never pay combined U.S. and foreign taxes at a rate exceeding the U.S. corporate tax rate.

  Senator Bernie Sanders (I-VT) has introduced legislation (S. 250) to repeal deferral. This proposal was also contained in bipartisan legislation sponsored by Sen. Ron Wyden (D-OR) and Sen. Dan Coats (R-IN) in 2010. The JCT estimated then that repealing deferral would raise $583 billion over 10 years if it took effect in 2011; Citizens for Tax Justice estimates it would raise $606 billion over 10 years if it takes effect in 2014.[8]

- **Close Various International Tax Loopholes**
  Revenue: $221 billion over 10 years; Joint Committee on Taxation estimates updated by Citizens for Tax Justice

  Another approach would be to adopt a set of multinational corporate tax reforms like those President Obama has proposed in his budgets that would reduce incentives for corporations to shift jobs and profits overseas, prevent corporations from claiming credit for foreign taxes they didn't pay, and crack down on tax havens. Overall, these 13 measures would raise about $221 billion over 10 years, based on JCT estimates updated by Citizens for Tax Justice, while reducing subsidies for corporate offshoring.[9] The largest of these reforms would:

  - End the practice of companies taking immediate deductions against their U.S. taxes for expenses associated with their offshore operations while deferring indefinitely the U.S. taxes on the resulting offshore profits: **$65 billion over 10 years.**
  - Help ensure that the foreign tax credit, which is supposed to prevent double-taxation of foreign profits, does not exceed the amount necessary to achieve that goal: **$60 billion over 10 years.**

- Reduce abuses involving intangible property like patents and trademarks, which are particularly easy to shift to tax haven-based subsidiaries that are really no more than a post office box: **$21 billion over 10 years.**
- Reform the rules relating to "dual capacity taxpayers," which allow multinational corporations such as large oil companies to claim foreign tax credits for payments that are essentially royalties, and therefore should not be creditable as foreign income taxes: **$10 billion over 10 years.**
- Eliminate or reform "check-the-box" rules that make it easy for corporations to move profits to overseas tax havens and avoid tax by "checking a box" that transforms subsidiaries into entities that don't have to pay tax: **At least $41 billion over 10 years.**[10]

In his "Framework for Business Tax Reform," President Obama also proposed a minimum tax on corporations' foreign profits to deter tax haven abuse, level the playing field for domestic investment, and prevent a global "race to the bottom" on corporate tax rates.[11] The details of the minimum tax proposal have yet to be released.

Public opinion on these tax reform options

- By a margin of 83% to 13%, voters want to "Increase taxes on the profits that American corporations make overseas, to ensure they pay as much on foreign profits as they do on profits made in the United States."
- By a margin of 73% to 25%, voters want to "Close loopholes that allow corporations and wealthy individuals to avoid paying U.S. taxes by shifting income to overseas tax havens."

  Hart Research Associates Poll, Jan. 18-22, 2013, Q. 12

II. Close Other Corporate Tax Loopholes and Tax Breaks

- **End Abuses of Inventory Accounting (Repeal "Last in, First Out" (LIFO) and "Lower of Cost or Market" (LCM) Rules**
  Revenue: $70 billion over 10 years; Joint Committee on Taxation

  The tax code currently allows companies to choose the most favorable method of valuing their inventory and cost of goods sold. Many taxpayers choose the "Last In, First Out," or LIFO, method, which can provide a substantial tax-deferral benefit. As Citizens for Tax Justice explains, "LIFO allows companies to deduct the (higher) cost of recently acquired or produced inventory, rather than the (lower) cost of older inventory."[12] LIFO, however, has been described as an inefficient and unnecessary subsidy for certain businesses, including oil companies, and it is not allowed by International Financial Reporting Standards.

A related and similarly flawed accounting method known as "Lower of Cost or Market" (LCM) allows businesses to choose whether to value inventory at its cost or market value, whichever is less, resulting in apparently smaller profits—and lower tax. Phasing out LIFO and LCM over a transition period would raise $69.9 billion over 10 years according to the Joint Committee on Taxation.[13]

- **End Special Fossil-Fuel Tax Breaks**
  Revenue: $25 billion over 10 years; Joint Committee on Taxation

  The oil and gas industry continues to collect billions in special tax subsidies every year – relics of old energy policies that are simply not needed at a time when oil prices approach $100 per barrel.[14] The G-20 nations have agreed to phase out inefficient and wasteful fossil-fuel subsidies. President Obama has proposed to eliminate the following tax breaks, which would raise $24.9 billion over 10 years, according to the JCT:[15]
  - Expensing of intangible drilling costs
  - Percentage depletion for oil and gas wells
  - Increase two-year geological and geophysical amortization period for independent producers to seven years
  - Deduction for tertiary injectants
  - Exemption to passive loss limitation for working interest in oil and natural gas properties
  - Expensing, percentage depletion, and capital gains tax breaks for coal

  Public opinion on this tax reform option
  By a margin of 59% to 36%, voters want to "Eliminate tax breaks for oil companies." Hart Research Associates Poll, Jan. 18-22, 2013, Q. 12

- **End Stock Option Loopholes**
  Revenue: $25 billion over 10 years; Joint Committee on Taxation

  Under present law, corporations can claim tax deductions for executive stock options that exceed the expense that they report to their shareholders for issuing the same options. Financial reporting rules require corporations to report an expense for stock options at the time they are granted to executives, based on an estimated value of the option. Yet tax rules allow them to deduct the value of the options when they are exercised – which is typically much higher than the value they ascribe for "book" purposes. In other words, corporations are allowed to tell shareholders one thing about how options affect their profits, and tell the IRS something else.[16] Stock options are also excluded from the existing rule that limits corporate deductions for executive pay to $1 million per year.

  Legislation introduced by Sen. Carl Levin (D-MI), S. 268, would prevent companies from claiming tax deductions for stock options that exceed the expense reported to shareholders, while also subjecting stock options for top executives to the $1 million limit. It is estimated to raise $25 billion over 10 years.[17]

Public opinion on this tax reform option

By a margin of 63% to 34%, voters want to "Prevent corporations from avoiding taxes when they award their executives millions of dollars in stock options."
Hart Research Associates Poll, Jan. 18-22, 2013, Q. 12

- **Cap the Tax Deductibility of Executive Compensation**
  Revenue: $42 billion over 10 years; Economic Policy Institute

  Currently, there is no meaningful limit on how much corporations can deduct from their income taxes for the expense of executive compensation. The more they pay their CEO, the less they pay in taxes. As a result, ordinary taxpayers wind up subsidizing excessive executive pay.

  A Clinton-era reform capped the tax deductibility of executive compensation at $1 million, but with a huge loophole: the cap doesn't apply to "performance-based" pay. This led to the increased use of stock option-based compensation that greatly expanded CEO paychecks.

  Executive compensation experts found that pay arrangements that rely heavily on "performance pay" are leading managers to focus excessively on the short term, motivating them to boost short-term results at the expense of long-term value.[18] One study found that executive influence over their own pay has led to compensation schemes that weaken managers' incentives to increase firm value and even create incentives to take actions that *reduce* long-term firm value.

  The Troubled Asset Relief Program (TARP) legislation and the Affordable Care Act both have provisions that closed the loophole and lowered the cap to $500,000 for executives of bailout recipients and health insurance companies. The Income Equity Act of 2013 (H.R. 199) would close the loophole for performance-based pay and extend the TARP/ACA cap on deductibility of executive compensation to all firms. This approach is estimated to generate nearly $4.2 billion in revenues annually, or roughly $42 billion over 10 years.[19]

III. Place a Small Sales Tax on Wall Street Trading

Revenue: $353 billion over 9 years; Joint Committee on Taxation

It's time for Wall Street to help Main Street by placing a very small Financial Transaction Tax (FTT) on Wall Street trading in stocks, bonds, derivatives and other financial products. A tax of just 30 cents on each $1,000 worth of trades (0.03 percent) would raise $353 billion over nine years, according to the JCT.[20]

Besides raising much-needed revenue, the FTT would reduce dangerous financial market speculation and encourage longer-term productive investment. It would hit high-volume, high-speed trading the hardest, serving to discourage short-term speculation, as well as the proliferation of ever more complex financial instruments that increasingly destabilize financial markets. By reducing the volume and profitability of short-term trading that serves no productive purpose, the tax would encourage Wall Street to find new ways to make money from longer-term, productive investments. That would mean more jobs on Main Street and an economy based on producing things rather than on speculating. Eleven European Union (EU) governments have now agreed to implement an FTT.

Public opinion on this tax reform option

By a margin of 61% to 32%, voters want to "Establish a small tax on all trading in stocks and bonds and other financial market trades. For example, for every ten thousand dollars in a trade the tax would be three dollars."
Hart Research Associates Poll, Jan. 18-22, 2013, Q. 12

IV. Limit Tax Deductions for the Richest 2 Percent

Revenue: $513 billion over 10 years; Joint Committee on Taxation updated by Citizens for Tax Justice

Under the current tax code, the highest-income taxpayers get a much larger tax break from tax deductions or exclusions from taxable income than middle-class taxpayers. For example, for a wealthy taxpayer in the 39.6 percent tax bracket who pays $10,000 in mortgage interest, the mortgage interest deduction is worth $3,960. For a middle-income taxpayer in the 15 percent tax bracket who pays the same $10,000 in mortgage interest, the deduction is only worth $1,500. This is both unfair and inefficient. It's unfair because the richest 2 percent of Americans shouldn't get a bigger tax break than middle-class families for doing things like buying a house or saving for retirement. It's inefficient because these costly tax incentives are poorly targeted at those least likely to need them or respond to them.

President Obama proposes to reform the "upside-down" problem with tax deductions and exclusions by limiting the value of several deductions and exclusions for the richest 2 percent – those households making more than $250,000 a year in taxable income – to 28 percent. In other words, the richest taxpayers would get the same tax benefit from these tax breaks as a household in the 28 percent bracket, but not more as they do now. This policy would raise an estimated $513 billion in revenue over the next decade.[21]

Public opinion on this tax reform option

By a margin of 56% to 41%, voters support "Limit[ing] tax deductions for people making over $250,000 a year."
Hart Research Associates Poll, Jan. 18-22, 2013, Q. 12

V. Close Loopholes that Allow the Very Wealthy to Shield Much of Their Income from Taxation

Revenue: $1.5-$1.7 trillion over 10 years

Very wealthy taxpayers can accumulate even more wealth – while paying little or no taxes – by taking advantage of a variety of tax breaks and loopholes that allow them to exclude, defer, or under-report income, so that much of their added wealth escapes tax altogether.[22] There are a number of approaches to close these loopholes:

- **Close the Inherited Capital Gains Tax Loophole**
  Revenue: About $500 billion over 10 years; Joint Committee on Taxation

  One of the largest loopholes in the tax code allows wealthy people to avoid capital gains tax by holding onto their assets until they die and bequeathing them to heirs. Normally, capital gains – the appreciation in value of stocks, businesses, or other assets – are taxed when a person sells them. But if a person holds onto assets until his death and passes them onto heirs, then neither the decedent nor his heirs ever have to pay capital gains taxes on the appreciation during the decedent's lifetime. As a result of this loophole, about 56 percent of the value of estates worth more than $10 million is unrealized capital gains that is never taxed.[23] This tax code rule also creates inefficiency as investors are "locked into" holding onto assets they would otherwise want to sell.

  Reforming the inherited capital gains loophole – technically called "step-up of basis at death" – could increase revenues substantially. The JCT estimates that $258 billion will be lost between 2013 and 2017 because of the exclusion of capital gains at death. Over 10 years the loss could be at least $516 billion.[24] To prevent these losses a person's estate should be required to pay capital gains tax on appreciation during that person's lifetime (perhaps with an exemption that would limit the reform to large capital gains so that the vast majority of people would be unaffected[25]).

  The deficit-reduction proposal made by Erskine Bowles and Alan Simpson, under the auspices of the National Commission on Fiscal Responsibility and Reform, also called for closing this loophole.[26]

  Another approach, which is likely to be less effective in raising revenue, would be to provide that heirs inherit assets with a "carryover basis," so that that untaxed appreciation is subject to capital gains tax when they sell assets.

  Public opinion on this tax reform option
  By a margin of 60% to 35%, voters want to "Eliminate the loophole that allows wealthy families to avoid paying any capital gains taxes on stocks and bonds that they inherit." Hart Research Associates Poll, Jan. 18-22, 2013, Q. 12

- **Tax Capital Gains and Dividends of the Richest 2% at the Same Rate as Ordinary Income**
  Revenue: About $500 billion over 10 years; Citizens for Tax Justice

  The reason very wealthy Americans like Warren Buffett and Mitt Romney pay a lower tax rate than millions of middle-class Americans is that most of their income is from selling assets like stocks and bonds, and from dividends, all of which are taxed at a special low 23.8 percent rate for people in the highest tax bracket, as opposed to the new top rate of 39.6 percent on income from work. This income from investments is also exempt from Social Security payroll taxes that working people pay on their wages. Workers who get most of their earnings from salaries or wages often pay a higher tax rate than the rich, especially when payroll taxes are included.

  These special low tax rates promote inequality and divert resources to unproductive tax shelters that would never exist but for the tax benefits. Capital gains income from stocks and bonds overwhelmingly goes to the wealthiest taxpayers. The richest 1 percent of taxpayers receive 71 percent of all capital gains, while the bottom 80 percent only get 6 percent of all capital gains, according to the Tax Policy Center.[27] Income from dividends is also heavily skewed to the wealthy, with the richest 5 percent of taxpayers receiving 68 percent of stock dividends compared with 17 percent for the bottom four-fifths of taxpayers.[28] Even among the elderly, capital gains and dividend income is highly concentrated at the top.

  Taxing capital gains and dividends at the same rates as other income is the fairest solution. Ronald Reagan signed such a measure into law in 1986.[29] However, the rates for capital gains and other types of income diverged again in the 1990s and in 2003, when tax cuts enacted under President George W. Bush lowered the top capital gains rate from 20 percent to 15 percent and lowered the tax rate for corporate stock dividends to 15 percent, from the ordinary income tax rate.

  Under the fiscal-cliff deal passed in January 2013, known as the American Taxpayer Relief Act, the top capital gains tax rate and dividends rate will rise to 20 percent for couples with income above $450,000 ($400,000 for individuals). An additional 3.8 percent tax on net investment income, enacted as part of the Affordable Care Act in 2010, will apply to couples with income above $250,000 ($200,000 for individuals). More than half of the revenue raised by this additional 3.8 percent tax – $123 billion from 2013 to 2019 – will come from the top 0.1 percent of taxpayers and 86 percent will come from the top 1 percent.[30]

  Congress should go even further and tax capital gains and dividends at the ordinary income tax rates for the richest 2 percent. Although revenue estimates for this proposal are not available, a rough comparison with the revenue raised over a shorter period by the smaller 3.8 percent tax and earlier estimates of the revenue raised from taxing capital gains as ordinary income (assuming dividends were already being taxed the same as ordinary income) shows that it should raise at least $500 billion over 10 years.[31]

Public opinion on this tax reform option

- By a margin of 52% to 36%, voters support a proposal that would "For those making over two hundred fifty thousand dollars, end the lower tax rate on income from selling stocks and other assets."
- By a margin of 48% to 39%, voters support a proposal that would "For those making over two hundred fifty thousand dollars, end the lower tax rate on dividend income from stocks."
  Hart Research Associates Poll, Jan. 18-22, 2013, Q. 12

- **Restore a Robust Estate Tax**
  Revenue: $114-$249 billion over 10 years; Joint Committee on Taxation

The estate tax is a potentially important source of federal revenue that encourages billions of dollars in charitable donations each year and is a means to make the tax system modestly progressive so that the wealthy pay a fairer share of taxes. However, the Bush tax cuts dramatically reduced the estate tax, and it was cut further by the estate tax cut enacted in 2010, which expired in 2012.

The fiscal cliff deal extended most of that temporary estate tax cut, exempting the first $10.5 million of a couple's estate from tax and applying a top tax rate of 40 percent to taxable assets above that level. At this much reduced level, only the richest 0.14 percent of estates – or 1 in 700 – will owe any estate tax in 2013,[32] and the estate tax will raise only $19 billion more over 10 years than would have been raised by extending the 2012 estate tax.[33]

Under President Obama's proposal to restore the generous estate tax parameters in effect for 2009 ($7 million exemption for couples, 45 percent top rate), only 0.26 percent of estates – or 1 in 380 – would owe any estate tax in 2013.[34] Even with so few estates subject to the estate tax, the Obama proposal would raise $114 billion more over 10 years than the deal struck in January 2013.[35]

Another proposal (H.R. 3467), introduced by Rep. Jim McDermott in 2011, set the estate tax exemption at $2.6 million per couple, which would affect fewer than 2 percent of estates.[36] It would set a top rate of 55 percent on the value of estates above that amount. This would largely restore the estate tax to where it was before the Bush tax cuts, adjusted for inflation and with some reforms. It would raise $249 billion more than the deal struck in January.[37]

- **Close Loopholes in the Estate Tax**
  Revenue: $24 billion over 10 years; Treasury Department

  Though the estate tax now allows couples to transfer $10.5 million of wealth tax-free to heirs, wealthy people use numerous aggressive strategies to avoid estate and gift taxes while transferring even larger amounts of wealth. President Obama's budgets in recent years have identified several reforms to prevent people from undervaluing their assets for estate tax purposes or using trusts as estate tax avoidance devices.[38] The Treasury Department estimated in 2012 that these reforms would raise $24 billion over 10 years.[39] That amount might be less under the now-looser estate tax parameters enacted under the American Tax Reform Act in 2013, but it is not a complete estimate of the revenue that can be raised through estate tax reform: there are undoubtedly other tax avoidance strategies that deserve further scrutiny.

- **Curb the Deferral of Tax on Income from the Purchase of Annuities or Life Insurance Policies by Wealthy Investors**
  Revenue: Up to $260 billion over 10 years; Congressional Budget Office

  Normally, when people hold investments outside of tax-preferred retirement accounts, they must pay income taxes when interest or dividends are paid from those investments or when assets are sold resulting in capital gains. However, people who buy annuities or whole-life insurance policies can effectively defer tax on their earnings from their premiums as they accumulate. The tax could be paid by individuals or directly by the company providing the annuity or insurance policy. It is estimated that curbing this loophole could save up to $260 billion, according to CBO.[40] The benefit seems to go mainly to the well-off. Data from the Federal Reserve indicates that over half of this untaxed investment income is owned by the richest 10 percent of Americans, and very little is owned by the bottom half of Americans.[41] The deficit-reduction proposal made by Erskine Bowles and Alan Simpson, under the auspices of the National Commission on Fiscal Responsibility and Reform, also taxed inside buildup on life insurance benefits at death.[42]

- **Limit Excessive IRA Accumulations for Investment Fund Managers**
  Revenue: no publicly available revenue estimate

  Tax-favored retirement accounts such as Individual Retirement Accounts (IRAs) and 401(k)s are intended to help regular workers save for a secure retirement, not to provide tax shelters for the rich. But extremely wealthy people, such as investment fund managers, can accumulate tens of millions of dollars in their IRAs – avoiding the contribution limits that apply to middle-class workers – by under-valuing the contributions they make to their IRAs.[43] For example, Mitt Romney's IRA is reported to be worth $87 million.[44]

This loophole is of dubious legality to begin with. But Congress can guard against abuses by enacting rules to limit the use of IRAs as tax shelters. For example, Congress could require distributions from IRAs if their value rises above a certain amount, or require retroactive taxation of contributions to IRAs if the value of those contributions rises above some set percentage.

- **Ensure Millionaires Pay at Least a 30 Percent Tax Rate ("Buffett rule")**
  Revenue: $54 billion over 10 years; Joint Committee on Taxation

  Closing the various loopholes that enable the very wealthy to shield income from taxation is good tax policy. But until that job is done, the "Buffett rule" (named after Warren Buffett, the billionaire who famously said he shouldn't pay a lower effective income tax rate than his secretary) will at least ensure that millionaires pay a tax rate equal to that of many middle-class families.

  Senator Sheldon Whitehouse has introduced legislation, S. 278, that would require taxpayers earning over $2 million to pay at least a 30 percent effective federal income tax rate. The minimum tax would begin to phase in at $1 million. This measure is estimated to raise $53.6 billion over 10 years).[45]

- **Close the "Like-Kind" Exchange Loophole**
  Revenue: $28 billion over 10 years; Citizens for Tax Justice

  Real-estate investors and multinational corporations have exploited a tax break ("like-kind exchanges") originally intended to enable farmers to exchange acreage, transforming it into a multi-billion dollar loophole that enables them to sell property at an appreciated price without paying capital gains taxes. This loophole has been widely exploited by many giant companies, including General Electric, Cendant and Wells Fargo.[46]

  The revenue loss due to the "like-kind exchange" tax break is $94 billion over 10 years, according to the JCT.[47] Congress could eliminate like-kind exchanges entirely or restrict who can take advantage of them. Citizens for Tax Justice estimates that reforms could net about $28 billion over 10 years.[48]

- **Close the "Carried Interest" Loophole for Multi-Millionaire Investment Fund Managers**
  Revenue: $17-21 billion over 10 years; Joint Committee on Taxation and Congressional Budget Office

  Very wealthy private investment fund managers can pay a lower tax rate on their earnings than many working Americans by arranging to receive their compensation as a share of profits ("carried interests"), so it is taxed at preferential capital gains rates. This income represents compensation for managing other people's investments, and should be taxed in the same manner as wages and salaries from all other jobs – as ordinary income. Closing this loophole would save between $17 billion and $21 billion over 10 years respectively, according to the JCT and CBO.[49]

Public opinion on this tax reform option

By a margin of 75% to 20%, voters want to "Eliminate the loophole that allows hedge fund managers to pay a lower tax rate than middle-class taxpayers."
Hart Research Associates Poll, Jan. 18-22, 2013, Q. 12

- **Eliminate the Medicare Tax Loophole for S Corporations**
  Revenue: $11 billion over 10 years; Joint Committee on Taxation

  Certain highly paid professionals sometimes take advantage of a tax loophole made infamous by former Speaker of the House Newt Gingrich (R-GA) and former Sen. John Edwards (D-NC). These professionals – lawyers, accountants, doctors, consultants, and entertainment professionals – form "S corporations," whose profits are not subject to Medicare taxes and who characterize much of their income as profits of the business instead of salaries. Regular wage-earners can't do this, and neither can the owners of other kinds of small businesses. Government watchdogs have flagged the S corporation loophole as an area of rampant abuse. Legislation introduced in the House and in the Senate in recent years would shut down this loophole, requiring these well-heeled professionals to pay their fair share into Medicare. Closing this loophole has been estimated to raise $11 billion over 10 years, according to the JCT.[50]

- **Deny Mortgage Interest Deduction for Vacation Homes and Yachts**
  Revenue: $15 billion over 10 years; Committee for a Responsible Federal Budget

  The mortgage interest deduction is intended to promote homeownership, but the tax code allows people to claim it not only on one property but on two. Moreover, under current Internal Revenue Service rules, a second home doesn't have to be a house – it can be a large boat, too. Under the rules, boats can qualify as second homes eligible for the tax break as long as they contain sleeping spaces, bathrooms (heads), and kitchens (galleys). In other words, only large boats qualify.

  This is a perfect illustration of how a tax break intended to help middle-class people afford homes winds up subsidizing lavish lifestyles and costing more than it should. It makes little sense to maintain tax breaks on vacation properties or yachts while regular homeowners who can't afford such luxuries can claim only a deduction on one home and renters receive no deduction at all, especially at a time when budget constraints have put federal housing programs at risk. Limiting the mortgage interest deduction to primary residences could raise $15 billion over 10 years.[51] The deficit-reduction proposal made by Erskine Bowles and Alan Simpson, under the auspices of the National Commission on Fiscal Responsibility and Reform, also denied the mortgage interest deduction for second homes.[52]

- **Close the Tax Loophole for Derivatives Traders**
  Revenue: $3 billion over 10 years; Joint Committee on Taxation

  Warren Buffett calls this one of the “extraordinary tax breaks” for the “mega-rich.” Due to a special rule in the tax code, certain derivatives traders pay a “blended” rate on their income—60 percent at favorable long-term capital gains rates and 40 percent at ordinary income rates.

  Although investors must generally hold onto assets for one year in order to enjoy low-rate capital-gain treatment, traders who buy and sell derivatives are eligible for the blended rate even if they buy and sell instantly. The loophole was carved out a generation ago to protect investors in commodities futures whose purpose was to protect long-term profits, not engage in short-term speculation. But financial markets have changed, and as Buffett explains, a trader can “own stock index futures for 10 minutes” and get the favorable tax treatment “as if they’d been long-term investors.”[53]

  Sen. Carl Levin (D-MI) introduced legislation in the last Congress to close this loophole. The JCT estimated that the Administration’s proposal to close the loophole would raise nearly $2.7 billion over 10 years.[54]

VI. Place a Surtax on the Incomes of Millionaires

Revenues: $107-$453 billion over 10 years; Joint Committee on Taxation

The fiscal-cliff tax deal restored tax rates on income above $450,000 for households ($400,000 for individuals) to their Clinton-era levels of 39.6 percent. This rate is still low by historical standards; from 1932 to 1986, the top marginal tax rate was at or above 50 percent.[55] And it leaves CEOs and investment managers making tens of millions of dollars paying the same marginal tax rate as a professional couple.

The richest 1 percent hold 35 percent of the nation’s wealth and the bottom 90 percent owns just 23 percent.[56] The top 1 percent have seen their average after-tax income rise nearly four-fold since 1979, while the income of the middle 60 percent rose just 40 percent.[57] Despite these staggering differences, the U.S. tax code only has six income tax rates, with the top marginal rate of 39.6 percent applied equally to a professional couple making $450,000 a year and a CEO making $20 million. That is not right, nor does it make good economic sense.

It is time for the rich and the super-rich to contribute their fair share by paying higher marginal tax rates. A relatively simple way to do this is to place a surtax on income over $1 million a year, such as the 5.6 percent surtax that was proposed in the American Jobs Act debated in the Senate in 2011. This measure was estimated to raise $453 billion over 10 years by the JCT,[58] and it would affect just 2 out of 1,000 households (two-tenths of 1 percent of all taxpayers).[59] A more modest alternative would be to assess a 5 percent surtax on incomes of $10 million or more. This measure is estimated to raise $107 billion over 10 years, according to JCT.[60]

Public opinion on this tax reform option

- By a margin of 73% to 22%, voters support "Plac[ing] a surtax of five percent on a person's income over ten million dollars per year."
- By a margin of 67% to 28%, voters support "Plac[ing] a surtax of five percent on a person's income over one million dollars per year."
  Hart Research Associates Poll, Jan. 18-22, 2013, Q. 12

Endnotes

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[9] *Ibid*., pp. 10-13. These revenue figures are CTJ's estimates for fiscal years 2014-2023 based on the JCT's scores of the various proposals by President Obama for earlier 10-year budget periods.

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[12] CTJ, "Policy Options to Raise Revenue" (March 8, 2012), p. 12, http://ctj.org/pdf/revenueraisers2012.pdf.

[13] JCT, Estimated Budget Effects of the Revenue Proposals Contained in the President's Fiscal Year 2013 Budget Proposal (JCX-27-12) (March 21, 2012), Section XIV, H and I, p. 11, https://www.jct.gov/publications.html?func=startdown&id=4413

[14] Contract price of crude oil was $97.01 for March 13, 2013, *see* http://www.bloomberg.com/energy/ (Feb. 12, 2013).

[15] JCT, (JCX-27-12) Section XIII, pp. 10-11, *supra* note 13. This estimate does not include the Obama Administration's proposal to reform the rules regarding "dual capacity" taxpayers. Though oil companies are a

principal beneficiary of the existing "dual capacity" rules, that reform proposal is included in the previous section on international tax loopholes.

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[22] Lawrence Summers, "How to target untaxed wealth," Reuters blog (Dec. 17, 2012), http://blogs.reuters.com/lawrencesummers/2012/12/17/how-to-target-untaxed-wealth/

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AMERICANS FOR TaxFairness

Corporate Tax Rates

Overview

Corporations are paying a smaller share of federal tax revenue than they did in the 1950s, dropping from one-third then to only one-tenth of the total today. Yet, an army of lobbyists is pushing hard to convince Congress to cut the corporate income tax rate by nearly one-third – from the current 35% to 25%. This issue is at the epicenter of the coming battle over tax reform.

Conservatives have defined the debate in a highly-misleading manner. They focus on the top *statutory* rate – the rate specified by law – instead of the *effective* tax rate – what is actually paid. Because U.S. statutory rates are somewhat higher than other OECD countries, corporations claim that this makes them less competitive, and that it stunts job growth. But their argument is unpersuasive when the debate focuses on *effective* corporate tax rates.

The debate has been further skewed by calls for "revenue neutral" corporate tax reform, in which any revenue raised by closing tax loopholes is used to reduce rates. Corporations haven't contributed a dime towards deficit reduction in recent budget deals. And they want to continue this special treatment while American families shoulder the entire burden. Meanwhile, the country is starved for resources needed to foster economic growth and job creation – from infrastructure to research to improved schools.

U.S. *effective* corporate tax rates are not a burden

The top *statutory* tax rate of 35% in the U.S. is somewhat higher than that of 30 other OECD countries, but the average *effective* tax rate – the actual rate paid after deductions and credits, is slightly lower than our competitors, according to the Congressional Research Service (CRS).

Several studies have found that U.S. corporations pay a similar or a lower *effective* tax rate – the rate actually paid – than corporations in other countries. For example:

- Our average effective tax rate is 27.1% compared with 27.7% for the other 30 OECD countries, according to CRS.
- Profitable corporations paid U.S. income taxes amounting to just 12.6% of worldwide income in 2010, according to the Government Accountability Office.
- Citizens for Tax Justice's survey of 288 corporations, which included most of the Fortune 500 corporations that were profitable each year from 2008 through 2012, found that they paid an average effective federal tax rate of just 19.4% over that period.
- Of 125 corporations in that study that had significant foreign profits, 82 (two-thirds) paid a higher effective rate to foreign governments than they paid to the U.S.

Key Facts

Corporate share of federal tax revenue has dropped by two-thirds in 60 years – from 32% in 1952 to 10% in 2013.

General Electric, Boeing, Verizon and 23 other profitable Fortune 500 firms paid no federal income taxes from 2008-2012.

288 big and profitable Fortune 500 corporations paid an average effective federal tax rate of just 19.4% from 2008 to 2012.

Profitable corporations paid U.S. income taxes amounting to just 12.6% of worldwide income in 2010.

U.S. corporations dodge $90 billion a year in income taxes by shifting profits to subsidiaries—often no more than post office boxes—in tax havens.

U.S. corporations officially hold $2.1 trillion in profits offshore – much of it in tax havens – that have not yet been taxed here.

News Coverage

Many Big U.S. Corporations Pay Very Little in Taxes, Reuters

Big Companies Paid a Fraction of Corporate Tax Rate, The New York Times

Post Analysis of Dow 30 Firms Shows Declining Tax Burden as a Share of Profits, The Washington Post

Report: Corporations Pay Fraction of Top Rate, The Hill

G.E.'s Strategies Let It Avoid Taxes Altogether, The New York Times

With Tax Break, Corporate Rate Is Lowest in Decades, The Wall Street Journal

U.S. Business Has High Tax Rates but Pays Less, The New York Times

Opinion

Some corporations pay nothing in taxes

- General Electric, Boeing, Priceline.com, Verizon and 22 other profitable Fortune 500 firms paid no federal income taxes from 2008 through 2012, according to Citizens for Tax Justice.
- 111 profitable Fortune 500 firms paid zero federal taxes in at least one of those five years.
- General Electric, one of the most notorious corporate tax dodgers, got $3.1 billion in refunds on $27.5 billion in profits from 2008 to 2012. The company paid less in federal income taxes in five years than a single American family pays in one year.

Lower tax rates do not boost growth and jobs

Conservatives claim reducing the corporate tax rate will substantially grow the economy. But a cut in the statutory rate from 35% to 25% would increase economic output by less than two-tenths of one percent, according to CRS. Economic growth over the past 60 years has actually been *stronger* when corporate tax rates were higher, according to the Economic Policy Institute. U.S. corporate tax rates also are not hurting profits – before-tax and after-tax corporate profits as a percentage of national income are at post–World War II highs.

There is no relationship between cutting corporate tax rates and job growth, according to a recent study by the Center for Effective Government. Twenty-two of the 30 profitable Fortune 500 companies that paid the *highest* tax rates (30% or more) from 2008 to 2010 created almost 200,000 jobs between 2008 and 2012. The 30 profitable corporations that *paid little or no taxes* over the three years collectively shed 51,289 jobs between 2008 and 2012.

A corporate tax rate cut will blow a hole in the budget

Those who want to cut the corporate income tax rate from 35% to 25% ignore that it will cost $1.3 trillion over 10 years, according to the Joint Committee on Taxation. They say that rate cuts will be paid for by closing corporate tax loopholes, but this will be extremely difficult given the power of the corporate tax lobby. Even if it was possible, there would be no new revenue for investments or deficit reduction. America can't afford that.

Americans don't want to cut corporate taxes

Recent polling shows that the public feels strongly that corporations need to step up and contribute their fair share. For instance:

- By 79% to 17%, voters want to "Close tax loopholes to ensure that American corporations pay as much on foreign profits as they do on profits made in the United States."
- By 82% to 9%, voters believe that "reform[ing] the tax system by closing corporate loopholes and limiting deductions for the wealthy" should be used to "reduce the budget deficit and make new investments" rather than to "reduce tax rates on corporations and the wealthy."

Effective Corporate Tax Rates, The New York Times

No Replacement for Corporate Taxes, The New York Times

The Truth about Corporate Tax Rates, USA Today

Looking at Some Corporate Tax Loopholes Ordinary Citizens May Envy, The New York Times

Corporate Tax Rates Plummet as Profits Soar, National Memo

'A' is for Avoidance, The New York Times

Resources

The Sorry State of Corporate Taxes, Citizens for Tax Justice

International Corporate Tax Rate Comparisons and Policy Implications, Congressional Research Service

Corporate Income Tax: Effective Tax Rates Can Differ Significantly from the Statutory Rate, Government Accountability Office

Corporate Tax Rates And Economic Growth Since 1947, Economic Policy Institute

Lower Corporate Tax Rates Not Linked to Job Creation, Center for Effective Government

Offshore Corporate Tax Loopholes

Overview

Many U.S. corporations use offshore tax havens and other accounting gimmicks to avoid paying as much as $90 billion a year in federal income taxes. A large loophole at the heart of U.S. tax law enables corporations to avoid paying taxes on foreign profits until they are brought home. Known as "deferral," it provides a huge incentive to keep profits offshore as long as possible. Many corporations choose never to bring the profits home and never pay U.S. taxes on them.

Deferral gives corporations enormous incentives to use accounting tricks to make it appear that profits earned here were generated in a tax haven. Profits are funneled through subsidiaries, often shell companies with few employees and little real business activity. Effectively, firms launder U.S. profits to avoid paying U.S. taxes.

Loopholes used to shift U.S. profits to tax havens

- U.S. firms can set up a subsidiary offshore, channel billions of dollars of profit through it and make the subsidiary "disappear" for U.S. tax purposes simply by "checking a box" on an IRS form.
- Corporations can sell the right to patents and licenses at a low price to an offshore subsidiary, which then "licenses" back to the U.S. parent at a steep price the right to sell its products in America. The goal of this "transfer pricing" is to make it appear that the company earns profits in tax havens but not in the U.S.
- Wall Street banks, credit card companies and other corporations with large financial units can easily move U.S. profits offshore using a loophole known as the "active financing exception."
- A U.S. corporation can do an "inversion" by buying a foreign firm and then claiming that the new, merged company is foreign. This lets it reincorporate in a country, often a tax haven, with a much lower tax rate. The process takes place on paper – the company doesn't move its headquarters offshore and its ownership is mostly unchanged – but it continues to enjoy the privileges of operating here while paying low tax rates in the foreign country.

How to solve the problem

The simplest solution is to end "deferral," as proposed by Sen. Bernie Sanders – in the Corporate Tax Dodging Prevention Act of 2015. Corporations would pay taxes on offshore income the year it is earned, rather than indefinitely avoid paying U.S. income taxes. This would also remove incentives to shift U.S. profits to tax havens, and it would raise $600 billion over 10 years.

Short of ending deferral, Congress should close the most egregious loopholes, such as "check the box," "transfer pricing," "active financing exception" and corporate "inversions." It should also end the loophole that lets firms deduct the cost of expenses from moving jobs and operations offshore if the profits earned from those activities remain offshore and untaxed by the U.S. – saving $51 billion over 10 years. Sen. Sheldon Whitehouse (D-RI) has introduced the Stop Tax Haven

Key Facts

Tax avoidance through offshore tax loopholes is a significant reason why corporations, which paid one-third of federal revenues 60 years ago, now pay one-tenth of federal revenues.

U.S. corporations dodge $90 billion a year in income taxes by shifting profits to subsidiaries—often no more than a post office box—in tax havens.

U.S. corporations hold $2.1 trillion in profits offshore – much in tax havens – that have not been taxed in the U.S.

General Electric, which uses a loophole for offshore financial profits, earned $27.5 billion in profits from 2008 to 2012 but claimed tax refunds of $3.1 billion.

Apple made $74 billion from 2009-2012 on worldwide sales (excluding the Americas) and paid almost nothing in taxes to any country.

26 profitable Fortune 500 firms paid no federal income taxes from 2008-2012. 111 large, profitable corporations paid zero federal income taxes in at least one of those five years.

News Coverage

The Islands Treasured by Offshore Tax Avoiders, The New York Times

For U.S. Companies, Money 'Offshore' Means Manhattan, The New York Times

Switching Names to Save on Taxes, The New York Times

G.E.'s Tax Strategies Let it Avoid Taxes Altogether, The New York Times

Cash Abroad Rises $206 Billion as Apple to IBM Avoid Tax, Bloomberg News

Britain Becomes Haven for U.S. Companies Keen to Cut Tax Bills, Reuters

Apple's Web of Tax Shelters Saved It Billions Panel Finds, The New York Times

Opinion

Abuse Act (S. 174), which will close some of these loopholes and raise $278 billion over 10 years.

Corporations really want a "territorial" tax system

Corporations don't just want to "defer" paying U.S. taxes on foreign profits. They want a "territorial" tax system that eliminates all U.S. taxation of offshore profits. Americans for Tax Fairness strongly opposes such a system as it would provide even more incentives for corporations to shift profits to offshore tax havens. A system in which U.S. corporations pay no U.S. income taxes on offshore profits would encourage U.S. firms to create 800,000 jobs overseas rather than in the U.S.

Why not let companies "bring the money home?"

Because U.S. firms are officially holding $2.1 trillion in untaxed profits offshore, they are proposing a "repatriation tax holiday," which would allow them to bring that money home at a special low tax rate. Supporters say this would increase domestic investment, creating jobs.

A tax holiday was tried in 2004, when $300 billion was brought home at a 5.25% tax rate, but it was a big failure. It did not increase domestic investment or create jobs, and the money was used largely for stock buybacks, dividends and executive bonuses. Also, a tax holiday costs more than it raises – it will lose $100 billion over 10 years. Worst of all, it rewards firms that use offshore tax loopholes, encouraging even more tax dodging in the future.

'A is for Avoidance', The New York Times

Corporations and their Tax Shell Games: Time for a Global Crackdown, The Los Angeles Times

Resources

Tax Havens: International Tax Avoidance and Evasion, Congressional Research Service

International Corporate Tax Rate Comparisons and Policy Implications, Congressional Research Service

Offshore Shell Games 2014, Citizens for Tax Justice and U.S. PIRG

The Sorry State of Corporate Taxes, Citizens for Tax Justice

Don't Renew the Offshore Tax Loopholes, Citizens for Tax Justice

General Electric's Special Tax Loophole Lets Company Dodge Billions in Taxes, Americans for Tax Fairness

The Fiscal and Economic Risks of Territorial Taxation, Center on Budget & Policy Priorities

Repatriation Tax Holiday Would Lose Revenue and Is a Proven Policy Failure, Center on Budget & Policy Priorities

Corporate Tax Rates And Economic Growth Since 1947, Economic Policy Institute

Corporate Income Tax: Effective Tax Rates Can Differ Significantly from the Statutory Rate, U.S. Government Accountability Office

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Corporate Tax Inversions

Overview

In 2014, several major U.S. corporations – among them Burger King, Medtronic and AbbVie – renounced their U.S. corporate "citizenship" and moved their corporate address offshore by merging with a foreign company. The merged corporation will pay most of its taxes to a foreign government – usually a tax haven – with a low tax rate. This allows it to dodge paying its fair share of U.S. taxes. The process, known as an "inversion," takes place primarily on paper as most corporate operations remain here.

When Walgreens announced possible plans to invert in 2014, it raised issues about what it means to be an American company. Although the company later decided not to invert, in part because of fears of a potential "consumer backlash," the inversion story isn't over. In fact, with about a dozen major corporations planning inversions, the issue is very much alive.

Why is the issue important?

If corporations use inversions to dodge their tax obligations, American taxpayers have to pick up the tab even though the firms will continue to enjoy the enormous benefits of being headquartered here. Inversions are likely to become a central issue in the debate over corporate tax reform. Conservatives claim that corporations are forced to leave America because the corporate income tax rate is too high. Progressives argue that corporations are already avoiding paying their fair share of taxes due to many loopholes, including inversions.

How does an inversion work?

A corporate inversion occurs when a U.S. company merges with a foreign one, dissolves its U.S. corporate status and reincorporates in the foreign country. The U.S. company becomes a subsidiary of the foreign one, but the foreign firm is controlled by the original U.S. firm.

A U.S. corporation can invert if after a merger the owners of the U.S. corporation retain less than 80% of outstanding stock of the new merged company, or if after the merger the new company has "substantial business activities" in the foreign country equaling at least 25% of operations. So, with just a 20% change in ownership, a company can become "foreign" even if it largely operates in and is controlled from America.

What is the tax advantage of an inversion?

Corporations undergo inversions to take advantage of much lower tax rates, usually in tax-haven countries. Once inverted, a company no longer pays U.S. taxes on its global income. Instead, it is only responsible for paying taxes on income generated in the U.S. For example, Walgreens, which had $72 billion in U.S. sales last year,

Key Facts

Inversions largely occur on paper. Corporations typically do not move their executives or operations overseas.

Corporations that invert continue to enjoy the benefits of operating here – they just dodge a lot of taxes.

A dozen U.S. firms are currently considering doing a corporate inversion.

Walgreens could dodge up to $4 billion in U.S. taxes over five years if it inverts. One-quarter of its sales are from Medicare and Medicaid.

Medtronic plans to move its corporate address to Ireland, a tax haven, to avoid paying U.S. taxes on $20.5 billion in offshore profits.

U.S. corporations already dodge $90 billion a year in income taxes by shifting profits to subsidiaries—often no more than post office boxes—in tax havens.

U.S. corporations hold $2.1 trillion in profits offshore – much of it in tax havens – that have not yet been taxed here. An inversion can let firms dodge paying taxes on those profits.

News Coverage

Burger King's Controversial Tax Savings, CNN Money

Burger King on Hortons Deal: It's Not About the Taxes. Experts: That's a Whopper, Bloomberg News

Burger King in Talks to Buy Tim Hortons and Move to Canada, The New York Times

Obama Seeks to Close Loophole That Firms Use to Shield Profits Abroad, The New York Times

Tax Inversion -- How U.S. Companies Buy Tax Breaks, Bloomberg News

At Walgreen, Renouncing Corporate Citizenship, The New York Times would likely have avoided $4 billion in U.S income taxes over five years if it had gone through with plans to merge with a Swiss company. It is estimated that Burger King and its leading shareholders will dodge an estimated $400 million to $1.2 billion between 2015 and 2018 as a result of its inversion with a Canadian company.

Why inversions are unfair

Companies that invert will continue to take advantage of the things that make the U.S. the best place in the world to do business – our educated workforce, legal and transportation systems, and federally-funded research. And they will continue to be able to get government contracts and to sell products to millions of American consumers.

But they will pay far less than their fair share for these services, passing on the cost to American taxpayers and to other companies.

What is President Obama's position?

Obama's 2015 budget proposed to make inversions very difficult for companies that have the majority of their operations and ownership in the U.S. He would prevent them from reincorporating abroad if they are owned by at least 50% of the former U.S. parent's stockholders (the current threshold is 80%). He would also require that the new foreign corporation be primarily managed and controlled from abroad. Blocked in getting legislation passed, Obama had the IRS and the Treasury Department craft new rules that put up a series of roadblocks making it difficult for a company to be able to use an inversion to avoid paying taxes on its profits booked offshore that have avoided U.S. taxation because of deferral, taking away a major incentive to invert.

What is happening in Congress?

Senators Richard Durbin (D-IL) and Jack Reed (D-RI) have introduced the Stop Corporate Inversions Act of 2015 (S. 198), which Americans for Tax Fairness strongly endorses. It would raise $34 billion over 10 years.

The Levin Brothers Want to End Tax Inversion, but the GOP Refuses, The New Republic

Move to Switzerland to dodge IRS may give Walgreen blues, The New York Post

Opinion

Positively un-American Tax Dodges, Fortune

Corporate Artful Dodgers, The New York Times

An Open Letter to Medtronic on What it Means to Be an American company, The Washington Post

Companies Take U.S. Benefits, but Flee US Taxes, The Raleigh News and Observer

Resources

Editorial Board Memo, Americans for Tax Fairness

Offshoring America's Drugstore – Americans for Tax Fairness and Change to Win Retail Initiatives

Much of What You've Heard about Corporate "Inversions" Is Wrong, Citizens for Tax Justice

Corporate Expatriation, Inversions, and Mergers: Tax Issues, Congressional Research Service

47 Corporate Inversions in Last Decade, Congressional Research Service

Why Does Pfizer Want to Renounce Its Citizenship? Citizens for Tax Justice

AMERICANS FOR TaxFairness

Tax Subsidies for CEO Pay

Overview

Most American taxpayers would be shocked to learn that they subsidize CEO bonuses. A tax loophole allows corporations to deduct from their taxable income any amount paid to CEOs and their executives, as long as the pay is "performance-based." This means that the more they pay their executives, the less they pay in federal taxes.

Why does this tax loophole exist?

The CEO pay loophole defies common sense, but Congress thought was doing the right thing when it passed legislation in 1993 that capped the tax deductibility of executive pay at $1 million. But there was a huge loophole – the cap doesn't apply to "performance-based" pay, which includes stock options. Incentive bonuses were supposed to make CEOs better stewards of shareholders' money. This theory has proved false, with the 2008 financial crisis being only the most severe example of how huge performance bonuses can encourage risky activities that endanger single companies and the broader economy.

How much does this loophole cost taxpayers?

Closing the CEO pay loophole would save taxpayers $50 billion over 10 years, according to the non-partisan Joint Committee on Taxation.

What could $50 billion buy?

Rather than subsidize corporate executive pay, other pressing needs could be funded such as:

- Two-thirds of the $75 billion cost of President Obama's plan to provide all low- and moderate-income 4-year-olds with high-quality publicly funded preschool over 10 years.
- Food and Drug Administration funding over 10 years to ensure that our food, prescription drugs and many other products are safe.
- Eliminating the highway and mass transit trust fund shortfalls for the next 2½ years.

What are other benefits of closing the loophole?

Eliminating the loophole would give corporations less incentive to shower executives with lavish bonuses – money that could be used to increase pay for average workers. It would also reduce incentives for CEOs to take wild risks with their companies in order to get multi-million dollar "performance-based" bonuses.

Executive compensation experts found that pay arrangements relying heavily on "performance pay" are leading managers to focus excessively on the short term, motivating them to boost short-term results at the expense of long-term value.

Key Facts

Closing the CEO pay loophole would save taxpayers $50 billion over 10 years.

Walmart dodged $104 million in federal taxes over the past six years by exploiting the CEO pay loophole.

Voters strongly oppose the CEO pay loophole. By nearly 2 to 1 (63%-34%) they want to "Prevent corporations from avoiding taxes when they award their executives millions of dollars in stock options." Hart Research, Q. 12

CEOs of major corporations earn nearly 300 times more than an average worker. This is 10 times more than the CEO to worker pay ratio in 1978 when CEOs earned 30 times more.

CEOs often get their "performance-based" bonuses even when they don't reach performance goals.

News Coverage

How Taxpayers Subsidize Millions in CEO Pay, CBS News Moneywatch

Walmart Slashed Tax Bill By Giving Top Execs Big Bonuses, Forbes

Restaurant chains slash tax bill with executive pay deduction, The Hill

Tax Benefits From Options as Windfall for Businesses, The New York Times

Tax Breaks for CEOs Pay for Million-dollar Salaries, The Guardian

Executive Pay Of Austerity Advocates Saves Companies More Than $1 Billion Via Tax Loophole, The Huffington Post

Retailer's Executive Pay Plan Exploits Tax Break, Study Says, Bloomberg

You're Secretly Subsidizing A Fast Food CEO's Million-Dollar Salary, The Huffington Post

The CEO pay loophole debate

Corporate lobby groups often try to confuse the debate by arguing that Congress shouldn't tell corporations how much they can pay their CEOs. Under proposed reforms in Congress, corporations will still be free to shower their CEOs with huge bonuses. It's just that taxpayers won't have to pick up the tab.

Some conservatives say corporations should face no limits whatsoever on the deductibility of CEO pay since the executives also pay individual income taxes on this compensation. This is not a matter of "double taxation." Corporations and their employees are separate entities and it is the norm to tax money when it changes hands. For example, individuals pay taxes on their earnings and when they spend money at a store that business pays taxes on the income.

What is happening in Congress?

Sen. Jack Reed (D-RI) and Sen. Richard Blumenthal (D-CT) introduced the Stop Subsidizing Multimillion Dollar Corporate Bonuses Act (S. 1476) in the 113th Congress, which would save taxpayers $50 billion.

Rep. Dave Camp (R-MI), former Chairman of the House Ways & Means Committee, produced a tax reform plan that would stop taxpayer subsidies for a company's top five executive officers. It would generate $12 billion over 10 years (Sec. 3802).

These bills would build on precedents in the Troubled Assets Relief Program (TARP) and the Affordable Care Act that set a $500,000 deductibility cap on pay for bailout recipients and health insurers.

Taxpayers Subsidize CEO Pay, Report Says, ABC News

Senators Seek To End Taxpayer Subsidy For Exorbitant CEO Pay, ThinkProgress

Opinion

Ending the Taxpayer Subsidy for Exorbitant Executive Bonuses, The Austin American-Statesman

The CEO Aristocracy: Big Bucks for the Big Boss, The Washington Post

Pro-austerity CEOS rake in millions in taxpayer-subsidized 'performance' pay, The Raleigh News and Observer

Walmart's Top-to-Bottom Taxpayer Subsidies, Common Dreams

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Walmart Executive Bonuses Cost Taxpayers Millions, Americans for Tax Fairness & Institute for Policy Studies

Executive-Pay Tax Break Saved Fortune 500 Corporations $27 Billion Over the Past Three Years, Citizens for Tax Justice

Restaurant Industry Pay: Taxpayers' Double Burden, Institute for Policy Studies

'Fix the Debt' CEOs Enjoy Taxpayer-Subsidized Pay, Institute for Policy Studies

CEO Pay Continues to Rise as Typical Workers Are Paid Less, Economic Policy Institute

Taxes and Executive Compensation, Economic Policy Institute

Compilation of Polling Questions on Corporate Tax Issues

As of March 19, 2015

Americans for Tax Fairness has conducted an extensive online search of public polls conducted in recent years posing questions on tax issues. We found that media outlets do very limited polling on tax issues – typically a question or two when an issue is being publicly debated in Congress. The most relevant questions we could find related to the topics below are included here. On behalf of Americans for Tax Fairness and other clients, [Hart Research Associates] has conducted in-depth polling on tax reform issues in recent years, which comprise many of the poll questions below.

SECTION 1: TAX TRADEOFFS

2014 Election Day voters when asked: "Which one of the following do you think should be the higher priority for the president and Congress right now–(A) reducing taxes on businesses and individuals or (B) investing in key priorities like education, healthcare, and job creation?" chose "investing in key priorities" (67%) over "reducing taxes" (29%).
[Hart Research Assoc. poll for the AFL-CIO, November 2014, Q14]

By 62% to 32%, 2014 Election Day voters favor "raising taxes on the wealthy and large corporations to fund priorities like education, job training, and deficit reduction."
Hart Research Assoc. poll for the AFL-CIO, November 2014, Q17

By 54% to 35%, when asked what would do more to reduce poverty, respondents favored, "raising taxes on wealthy people and corporations to expand programs for the poor" instead of, "lowering taxes on wealthy people and corporations to encourage investment and economic growth."
Pew Research Center, January 2014, Q26

By 68% to 31% voters believe "we should close tax loopholes for large corporations that ship jobs offshore, and instead use that money to invest in jobs in America by improving our roads and bridges and rebuilding manufacturing."
Hart Research Assoc. poll for Americans for Tax Fairness, October 2013, Q16a/b

SECTION 2: TAXING CORPORATIONS

Close Loopholes and Invest Rather than Reduce Tax Rates (Revenue Neutral Tax Reform)

By 61% to 35%, Americans believe that "in order to help the economy and move the nation forward, the focus of the government should be more on raising the minimum wage and providing job training and education" than on "cutting corporate taxes and reducing regulations on businesses."
McClatchy/Marist poll, February 2014

By 82% to 9%, voters believe that "reform[ing] the tax system by closing corporate loopholes and limiting deductions for the wealthy" should be used to "reduce the budget deficit and make new investments" rather than to "reduce tax rates on corporations and the wealthy."
Hart Research Assoc. poll for Americans for Tax Fairness, October 2013, Q21

By 83% to 11%, voters want to use "tax revenue from closing corporate loopholes and limiting deductions to reduce the budget deficit and make public investments, rather than to reduce tax rates on corporations."
Hart Research Assoc. poll for Americans for Tax Fairness, January 2013, Q17

Corporate Taxes (General)

When asked what "bothers them" about the federal tax system, 64% of Americans said they were bothered "a lot" and 18% said they were bothered "some" by the "feeling that some corporations don't pay their fair share." By comparison, 27% said they were bothered "a lot" by and 26% said they were bothered "some" by "the amount you pay in taxes."
Pew Research Center, March 2015, Q29

Two-thirds (65%) of Americans believe that corporations pay too little in taxes, when asked "Overall, do you think large business corporations pay their fair share in taxes, pay too (little), or pay too (much)." 19% say that corporations pay their fair share and only 9% say that corporations pay too much.
Washington Post-ABC News poll, January 2015

When asked if corporations are "paying their fair share in federal taxes, paying too much or paying too little," most respondents again said they are paying too little:

	Fair Share	Too Much	Too Little
April 3-6, 2014	20%	8%	66%
April 4-7, 2013	21%	8%	66%
April 9-12, 2012	21%	11%	64%
April 7-11, 2011	20%	9%	67%
April 8-11, 2010	22%	9%	62%

Gallup polls, April 2010-April 2014

By 62% to 34%, voters want to "Eliminate special tax breaks for oil and gas companies."
Hart Research Assoc. poll for Americans for Tax Fairness, October 2013, Q20a/b

By 70% to 26%, Americans favor an Obama administration proposal "increasing taxes on some corporations by eliminating certain tax deductions."
Gallup poll, April 2011, Q16

Taxing Offshore Profits and Closing Offshore Tax Loopholes

By 73% to 21%, 2014 Election Day voters favor "increasing taxes on the profits that American corporations make overseas, to ensure they pay as much on foreign profits as they do on profits made in the United States."
Hart Research Assoc. poll for the AFL-CIO, November 2014, Q17

By 57% to 37%, 2014 Election Day voters favor "ending all tax loopholes that encourage U.S. companies to send jobs overseas."
Hart Research Assoc. poll for the AFL-CIO, November 2014, Q17

By 79% to 17%, voters want to “Close tax loopholes to ensure that American corporations pay as much on foreign profits as they do on profits made in the United States.”
[Hart Research Assoc. poll for Americans for Tax Fairness, October 2013, Q20a/b]

By 62% to 36%, voters want to “Close loopholes that allow corporations and wealthy individuals to avoid paying U.S. taxes by shifting income to offshore tax havens.”
[Hart Research Assoc. poll for Americans for Tax Fairness, October 2013, Q20a/b]

By 83% to 13% voters want to “Increase taxes on the profits that American corporations make overseas, to ensure they pay as much on foreign profits as they do on profits made in the United States.”
[Hart Research Assoc. poll for Americans for Tax Fairness, January 2013, Q12]

By 73% to 25% voters want to “close loopholes that allow corporations and wealthy individuals to avoid paying U.S. taxes by shifting income to overseas tax havens.”
[Hart Research Assoc. poll for Americans for Tax Fairness, January 2013, Q12]

By 68% to 31% voters believe that “We should end tax breaks to large corporations that ship jobs overseas and use that money to invest in jobs in America improving our roads and bridges, rebuilding manufacturing and making us energy independent.”
[Hart Research Assoc. poll for Americans for Tax Fairness, January 2013, Q16]

By 84% to 11% voters want to “Increase taxes on the profits that American corporations make overseas, to ensure they pay as much on foreign profits as they do on profits made in the United States.”
[Hart Research Assoc. poll for Americans for Tax Fairness, November 2012, Q16]

By 61% to 33%, voters want to “pass legislation to prevent corporations and wealthy individuals from avoiding U.S. taxes by shifting income earned here in the United States to overseas tax havens.”
[Hart Research Assoc. poll for Americans for Tax Fairness, November 2012, Q16]

Nearly three-quarters (73%) of Americans support “raising taxes on businesses that move manufacturing jobs overseas.”
[ABC News/Washington Post poll, February 2012, Q11]

Corporate Tax Inversions

By more than a three-to-one margin, 70% to 23%, Colorado voters disapproved of "tax inversions, a practice where an American company becomes a subsidiary of another company in a foreign country for the purpose of reducing its taxes."
Public Policy Polling poll of Colorado voters for Americans for Tax Fairness Action Fund, September 2014, Q15

76% of Democrats, 69% of Republicans and 80% of Independents disapprove of corporate tax inversions when they were asked "Do you approve or disapprove of tax inversions, a practice where one company becomes a subsidiary of another company in a foreign country for the purpose of reducing its tax rate?"
Morning Consult poll, August 2014

By 70% to 20%, Iowa voters disapproved of "tax inversions, a practice where an American company becomes a subsidiary of another company in a foreign country for the purpose of reducing its taxes."
Public Policy Polling poll of Iowa voters for Americans for Tax Fairness Action Fund, August 2014, Q12

CEO Pay

By 63% to 34%, voters want to "prevent corporations from avoiding taxes when they award their executives millions of dollars in stock options."
Hart Research Associates poll, January 2013, Q12

Financial Transaction Tax and a Bank Fee

By 47% to 13%, voters favor "instituting a fee on debts of banks and other financial institutions with more than $50 billion in assets …as a way to pay for tax cuts or additional government spending." (36% neither favored nor opposed this proposal).
Associated Press/GfK poll, February 2015, TAX2

By 61% to 32%, voters want to "Establish a small tax on all trading in stocks and bonds and other financial market trades. For example, for every ten thousand dollars in a trade the tax would be three dollars."
Hart Research Assoc. poll for Americans for Tax Fairness, January 2013, Q12

Views of Small Business Owners

By 67% to 31% small business owners believe “we should end tax breaks for companies that ship jobs and profits offshore, and level the playing field for small businesses that create jobs in America.”
Hart Research Assoc. poll for Americans for Tax Fairness, October 2013, Q16a/b

34% of American small business owners chose “closing tax loopholes for large corporations” over six other budget-cutting or revenue raising measures, when asked to choose their top priority for the federal government. The largest number of Republican respondents (27%) chose the same answer.
Lake Research Partners poll for Main Street Alliance and American Sustainable Business Council, April 2013

When asked about “a tax system that would allow U.S. multinational corporations to avoid taxes permanently by shifting their income to places like the Cayman Islands,” more than four out of five (85%) small business owners oppose instituting this type of territorial tax system.
Lake Research Partners poll for Main Street Alliance and American Sustainable Business Council, April 2013

67% of small business owners say big corporations are paying “less than their fair share” of taxes; 73% say the same thing about multinational corporations.
Lake Research Partners poll for Main Street Alliance, American Sustainable Business Council and Small Business Majority, February 2012, Q3 and Q8

90% of small business owners think “big corporations use tax loopholes to avoid taxes that small businesses have to pay,” and 92% think that “tax loopholes for big corporations” is a problem.
Lake Research Partners poll for Main Street Alliance, American Sustainable Business Council and Small Business Majority, February 2012, Q9 and Q10

Three-quarters of respondents think their “small business is harmed when big corporations use loopholes to avoid taxes.”
Lake Research Partners poll for Main Street Alliance, American Sustainable Business Council and Small Business Majority, February 2012, Q11

91% of respondents said that “U.S. multinational corporations using accounting loopholes to shift their U.S. profits to their offshore subsidiaries to avoid taxes” is a problem.
Lake Research Partners poll for Main Street Alliance, American Sustainable Business Council and Small Business Majority, February 2012, Q12

81% of small business owners disapprove of the carried interest loophole that lets hedge fund managers “have their personal income taxed at the capital gains rate of 15% instead of the ordinary income tax rate.”
Lake Research Partners poll for Main Street Alliance, American Sustainable Business Council and Small Business Majority, February 2012, Q17