



EDITORIAL BOARD MEMO

To: Editors and columnists

From: Frank Clemente, Executive Director, Americans for Tax Fairness

Press contact: Harry Gural, Communications Director, Americans for Tax Fairness

email: hgural@americansfortaxfairness.org

office: (202) 350-0139; mobile: (202) 527-2280

Date: Dec. 12, 2013

Federal Budget Deal Would Be Better If Congress Closed Tax Loopholes

Poll Shows Americans Wanted to Avoid Deep Cuts by Closing Tax Loopholes But Congress Didn't Listen

The budget agreement announced Tuesday in Congress represents a small step forward because it replaces about \$63 billion in automatic “sequester” budget cuts that were to have gone into effect between 2014 and 2015 with alternative budget savings. Both Democrats and Republicans had wanted to get out of the straightjacket of automatic cuts and give flexibility to lawmakers to decide where to invest and where to cut in order to achieve deficit-reduction targets.

Unfortunately, **the agreement did not close a single tax loophole benefiting big corporations or wealthy individuals.** This means that the investment side of the federal budget – from public education, to researching new medical cures to rebuilding roads and bridges – will continue to be starved. [Spending cuts will still comprise about three-quarters of deficit reduction over the next 10 years \(Figure 3\)](#) while revenues from the wealthy from ending their Bush tax cuts earlier this year will represent about one quarter. This is a very unbalanced approach. Corporations will continue to avoid contributing even one dime to deficit reduction.

We urge you to editorialize about this missed opportunity, and about the urgent need to close tax loopholes, to ensure that corporations and the wealthy pay their fair share of taxes and that America has the resources it needs in the 21st century to compete in a global economy and to provide a strong safety net for the most vulnerable.

The budget sequester mandated \$109 billion a year in automatic spending cuts, or nearly \$220 billion over two years, equally divided between defense and non-defense programs. Most of those cuts – \$180 billion or so – were to discretionary spending, so the \$63 billion in discretionary spending that was restored in the deal represents about 35 percent. That means 65 percent of the spending cuts remain in place over the next two years leaving American families vulnerable to substantial distress. See this [analysis from the Center on Budget and Policy Priorities](#) for more details.

As a result, the budget deal may spare from the most severe cuts education, health care, food safety, environmental protection, housing, job training and other services. But these programs may still be subject to significant cuts, depending on what congressional appropriators propose. Spending cuts still may result in the [loss of 800,000 jobs next year](#), which was estimated by the Congressional Budget Office, because the restored spending cuts are being replaced by other cuts or a modest amount of new revenues. Finally, 1.3 million Americans will lose their unemployment benefits less than a week after Christmas because Congress failed to include an extension of emergency benefits in the deal.

Congress could have both reduced the deficit and decreased the painful consequences of spending cuts if it had included in the budget deal provisions to close tax loopholes that encourage U.S. corporations to move jobs, profits and operations offshore. Bills in the U.S. House and the U.S. Senate would do that – the [Sequester Delay and Stop Tax Haven Abuse Act](#) (H.R. 3666), sponsored by Reps. Rosa DeLauro (D-CT) and Lloyd Doggett (D-TX), and the [Stop Tax Haven Abuse Act](#) (S. 1533) sponsored by Sens. Carl Levin (D-MI), Mark Begich (D-AK), Jeanne Shaheen (D-NH) and Sheldon Whitehouse (D-RI).

Both bills would [raise up to \\$220 billion over 10 years](#) – enough to fully replace the automatic spending cuts scheduled for the next two-and-a-half years. These bills would ensure that America stops giving corporations tax subsidies to export jobs. They also would level the playing field between big corporations dodging their taxes and small businesses playing by the rules and paying their fair share. See letters supporting the bills [here](#) (signed by 538 organizations) and [here](#).

[Recent polling](#) by Hart Research Associates demonstrates that the American public strongly favors measures to close tax loopholes and to use increased revenues from corporations and wealthy individuals to eliminate a substantial portion of the “sequester” spending cuts.

- Voters overwhelmingly approve, by a margin of **62% to 36%**, of “clos[ing] tax loopholes that allow corporations and wealthy individuals to avoid paying U.S. taxes by shifting income to offshore tax havens.”
- By **53% to 27%**, they want to “Reduce the [\$110 billion in automatic] spending cuts by 50 percent and replace them with new tax revenue from the wealthy and corporations,” rather than “Allow the full spending cuts to take effect.”
- By **50% to 34%**, Americans want to “Cancel the spending cuts and replace them with new tax revenue from the wealthy and corporations,” rather than “Allow the full spending cuts to take effect.”

Nevertheless, negotiators chose to take a narrower approach to a budget agreement because closing tax loopholes was strongly opposed by conservatives in Congress. Their absolutist position does not even permit consideration of closing the corporate jet tax loophole, affecting a small number of Americans, which is [worth about \\$3.7 billion over 10 years](#). Instead [the deal will collect a total of \\$12.6 billion in higher airport security fees](#) from millions of Americans.

Our hope is that conservatives can be encouraged to support a more responsible and balanced approach in the future – one that stops protecting the wealthy and big corporations at everyone else’s expense. But that day will not come without much more pressure from voters. **For this reason, it’s especially important that opinion leaders at newspapers like yours focus on the tax issue now while the budget agreement is in the news.**

Finally, our policy experts are available to provide you with a telephone briefing if you want to give this issue the strong consideration it deserves.

STATEMENT ON THE HOUSE-SENATE BUDGET DEAL

Frank Clemente, Executive Director, Americans for Tax Fairness

“The budget deal is an important improvement over even deeper spending cuts that were scheduled to hit next year. It reduces the harm those cuts would have caused American families and our economy. But Congress missed a tremendous opportunity to both replace future cuts to essential services and to reduce the deficit by closing tax loopholes used by corporations and wealthy individuals to avoid paying their fair share of taxes. Polling shows that agenda is very popular with the American people.

“By closing tax loopholes, Congress could extend unemployment insurance for the more than 1.3 million Americans that will lose this vital source of income at the end of the year. By closing tax loopholes, Congress could protect the pensions of federal employees rather than protect the special lower tax rate enjoyed by hedge fund managers. And by closing tax loopholes, Congress could end tax breaks for companies that ship jobs and profits offshore and use that money to invest in jobs and services in America that grow our economy.

“Closing tax loopholes was strongly opposed by conservatives in Congress. Our hope is that they will support a more responsible and balanced approach in the future – one that stops protecting the wealthy and big corporations at everyone else’s expense.

Americans for Tax Fairness is a diverse coalition of more than [325 national and state organizations](#) that collectively represent tens of millions of members. The organization was formed on the belief that the country needs comprehensive, progressive tax reform that results in greater revenue to meet our growing needs. ATF is playing a central role in Washington and in the states on federal tax-reform issues.



IMPORTANT RESOURCES ON TAX ISSUES

HART RESEARCH POLL – OCTOBER 2013

[Hart Research memo](#)

[Topline poll results](#)

REPORTS BY AMERICANS FOR TAX FAIRNESS

[Corporate Tax Dodgers: 10 Companies and Their Tax Loopholes](#)

[The High Price of Corporate Tax Loopholes](#)

[Key Facts about Tax Havens and Corporate Tax Reform](#)

[Biggest Revenue Raisers in Sen. Levin's Stop Tax Haven Abuse Act](#)

[Highlights of Apple's Tax Dodging](#)

[Highlights of Microsoft's Tax Dodging](#)

OPINION PIECES

[Small Business Needs Big Business to Pay its Fair Share](#), *Roll Call*, Dec. 8, 2013

[The Budget Deal Falls Short](#) – *The Sarasota Herald-Tribune* (FL), Dec. 8, 2013

[U.S. Budget – End Loopholes, Abuses](#) – *The Charleston Gazette* (WV), Nov. 15, 2013

[Closing Tax Loopholes Should be Part of the Budget Conference](#) – *The Washington Post*, Nov. 8, 2013

[New Chance for a Budget Compromise](#) – *The New York Times*, Nov. 5, 2013

[Federal budget deal must tackle tax reform](#) – *The Portland Press Herald*, Oct. 19, 2013

[Legislation to Curb Foreign Tax Havens Would Bolster Budget](#) – *The Seattle Times*, Sep. 26, 2013

[No Replacement for Corporate Taxes](#) – *The New York Times*, May 30, 2013

[‘A’ Is for Avoidance](#) – *The New York Times*, May 25, 2013

[Apple Slips Billions through Loopholes of U.S. Tax Laws](#) – *The Los Angeles Times*, May 22, 2013