

Overview

Many members of Congress have a double-standard when it comes to spending on public services like transportation or education versus spending on corporate tax cuts. This year, Republican leaders in Congress refused to provide [\\$10 billion in extended unemployment benefits](#) unless they were paid for. But in the U.S. House of Representatives they recently passed five budget-busting corporate tax breaks, known as “tax extenders,” that would [increase the deficit by \\$518 billion](#) over the next 10 years.

Just two of the tax breaks account for 85% of the cost. The “bonus depreciation” tax break (\$287 billion over 10 years) allows businesses to depreciate capital investments quickly. Supporters claim it boosts the economy, but the Congressional Research Service concluded that it “in general is a [relatively ineffective tool for stimulating the economy.](#)” The “research and experimentation tax credit” (\$155 billion over 10 years) is supposed to spark investment in new technologies. However, it often subsidizes activities that companies would pursue without tax incentives. The [primary beneficiaries are large corporations](#) like Boeing, Apple, and Google – all recognized as aggressive tax avoiders.

How are these corporate tax breaks justified?

Republicans say that the [\\$518 billion cost of the corporate tax breaks passed in the House doesn’t matter](#) despite the huge impact on the deficit. They argue that the same tax breaks had been passed on a temporary basis in the past, and that some have been extended many times (hence the name “tax extenders.”) But the House voted to make these tax breaks permanent – adding more than half a trillion dollars to the national debt over 10 years. Apparently, the deficit doesn’t matter when it comes to corporate tax cuts – they are “off the books.”

House extends tax breaks for corporations but not for low-income working families

A tax credit the House did *not* vote to extend was an improvement in the Child Tax Credit for low-income working families, which expires in 2017. That means [12 million people, including 6 million children](#), will be pushed deeper into poverty in 2018. A mother with two children working full time at the minimum wage would see her Child Tax Credit drop from \$1,725 to zero. Instead, the House voted to increase the credit for upper-income families—giving a family making \$160,000 a new \$2,200 tax credit—and [denying the credit immediately to over 5 million children in immigrant families](#), including over 4 million citizen children.

The Senate bill – the good, bad and outrageous

The five corporate tax breaks that the House voted to make permanent are part of a much larger (but less costly) two-year “tax extender” package in the Senate. That bill has more than 50 temporary

Key Facts

The U.S. House of Representatives has passed five business tax breaks, known as “tax extenders,” that would increase the deficit by [\\$518 billion over 10 years](#).

The package of 55 tax extenders in the Senate will cost [\\$85 billion over two years](#). More than 80% of the cost benefits businesses.

A small army of [1,359 lobbyists representing 373 companies and trade associations](#) has lobbied members of Congress on tax extenders.

The House Ways and Means Committee passed two tax extenders that enable corporations to hide profits offshore. The “active financing exception” would [cost \\$59 billion over ten years](#). The “CFC look-through rule” would [cost \\$20 billion over 10 years](#).

General Electric uses the “active financing exception” loophole to move financial profits offshore and avoid taxes. It made \$27.5 billion from 2008 to 2012 [but claimed tax refunds of \\$3.1 billion](#).

News Coverage

[U.S. House tax panel backs costly corporate tax breaks](#), Reuters

[In a Shift From Deficit Concerns, the Senate Will Take Up Tax Breaks](#), The New York Times

[Congress Takes From The Poor, Gives To The Corporate Rich](#), The Huffington Post

[Deficit, Schmeficit: Why the Fight over the Research Credit is Really about Tax Reform](#), The Washington Post

[Congress Considers Tax Breaks from Horse Racing to Stock Car Racing](#), McClatchy Newspapers

[Congress Likely to Revive NASCAR Break](#), The Orlando Sentinel

[Study: Tax Extenders a Lobbying Bonanza](#), The Hill

tax breaks – a mixture of good, bad and outrageous. It will cost [\\$85 billion over two years](#), with 80% benefitting businesses. There are popular tax deductions for schoolteachers who pay for supplies out of their own pockets and for commuters that use public transportation, as well as tax credits for wind energy production. And [the package includes much-ridiculed special-interest tax breaks](#) for wealthy owners of thoroughbred horses or NASCAR racetracks.

Some tax extenders enable hiding profits offshore

The Senate bill includes the “active financing exception,” a loophole that enables Wall Street investment banks, insurance companies and other corporations with big financing arms to [dodge billions in taxes](#) by deferring taxes on U.S.-based financing income that is made to look like it’s being generated offshore. It also contains the “CFC look-through” rule, which makes it possible for multinational corporations to [make some of their profits disappear for tax purposes](#).

The House Ways and Means Committee voted to make permanent both the active financing exception (\$59 billion over 10 years) and the CFC look-through rule (\$20 billion over 10 years). The bills have not yet been brought to the House floor.

A “special interest orgy”

Organizations on the left, right and center have been harshly critical of the tax extender bills. The conservative [Club for Growth](#) called the Senate package a “special-interest orgy” in *The Wall Street Journal*. The center-right [Committee for a Responsible Federal Budget](#) wrote that the Senate bill would “squander” the savings from the “fiscal cliff” budget deal at the end of 2012. Fifty-four public-interest organizations and labor unions, led by Americans for Tax Fairness, [decried](#) the double standard by which other government spending must be “paid for” but corporate tax breaks can be bought on credit.

Tax extenders likely to face votes after elections

Congress is likely to vote on a two-year tax extender package after the November election for two reasons – there is something in it for everyone, and there is a huge corporate lobbying effort behind it. A key question is whether the worst corporate giveaways will be included in the package.

A few tax extenders provide modest help to working families. Most of them provide largess to large corporations. That is why a small army of [1,359 lobbyists representing 373 companies and trade associations](#) lobbied members of Congress on tax extenders between January 2011 and December 2013.

Corporations have not contributed a dime towards deficit reduction in any of the budget deals that Congress passed in recent years. Yet, Congress is eager to pass tax extender packages primarily benefitting corporations that are worth from \$85 billion to more than \$500 billion – totally unpaid for. This double-standard should end and corporations should start paying their fair share of taxes for the good of the country.

Opinion

[Congress Must Learn to Pay for Tax Breaks it Extends](#) - The Washington Post

[Republicans Love Big Business so Much They Forget about Reducing the Deficit](#), The New Republic

[GOP Shows Hypocrisy in Tax Credit Squabble](#), The Dallas Morning News

[Cull the Stupid Tax Breaks](#), Bloomberg View

[The GOP's Fiscal Double Standard](#), U.S. News and World Report

[Hypocritical Tax Cuts](#), The New York Times

[Cutting Taxes without Paying for It](#), USA Today

Resources

[General Electric's Special Tax Loophole Lets Company Dodge Billions in Taxes](#), Americans for Tax Fairness

[Corporate Lobbying on Tax Extenders and the “GE Loophole](#), Americans for Tax Fairness

[Stretched to the Limit: A Sampling of Tax Extenders that Should Be Ended \(Or Substantially Reformed\)](#), Americans for Tax Fairness

[Congress Should Offset the Cost of the “Tax Extenders,” or Not Enact them At All](#), Citizens for Tax Justice

[Paying for “Tax Extenders” Would Shrink Projected Increase in Debt Ratio by One-Third](#), Center on Budget and Policy Priorities

Contact

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[Americans for Tax Fairness](#) is a diverse coalition of 425 national and state organizations that collectively represent tens of millions of members. ATF was formed on the belief that the country needs comprehensive, progressive tax reform that results in greater revenue to meet our growing needs.