

AMERICANS FOR TaxFairness

September 16, 2014

Majority Leader Harry Reid
U.S. Senate
The Capitol
Washington D.C. 20510

Senator Ron Wyden
Chairman, Senate Finance Committee
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Majority Leader Reid and Chairman Wyden:

On behalf of Americans for Tax Fairness' [425 national and state organization members](#), we are writing to ask that the Senate quickly pass legislation that would stop U.S. corporations from shifting their address offshore, typically to a tax haven, in order to avoid paying their fair share of taxes.

This is an urgent matter. More than 75 companies have deserted America through a corporate inversion since 1983, according to the Congressional Research Service, and at least another dozen are in the works. The Joint Committee on Taxation estimates that such defections could cost \$20 billion over the next ten years. But the damage could be far in excess of that given the recent stampede to invert, and the annual tax avoidance estimates for various companies that invert, which have been reported in the financial press.

Companies that invert do not actually leave America; they are simply changing their corporate address. The companies reincorporate abroad by buying a smaller foreign firm and then becoming a subsidiary of that firm. The new foreign parent is usually located in a tax haven country with a low tax rate, or it has a territorial tax system that facilitates even more tax avoidance than occurs under the U.S. tax system. The point of an inversion is primarily to increase profits by dodging U.S. taxes.

When corporations don't pay their fair share of taxes the U.S. government takes on more debt; American taxpayers, including small businesses and domestic firms, end up paying more; and American families and communities get fewer services and benefits. That's why Congress must act to stop inversions now.

Companies that desert America continue to take advantage of the things that make the United States the best place in the world to do business – an educated workforce; a legal system to protect their investments and patents; protection by the strongest military in the world; use of public transportation systems to get products to market; access to millions of consumers; and for many firms, subsidies through federal research and government purchases of its products.

Some argue that legislation to clamp down on this tax loophole can wait until Congress considers a broader tax reform package. But a corporate tax overhaul may not stop inversions and, given the differences about tax reform between both parties, both chambers and within the business community itself, it is unlikely to take place anytime soon.

In the meantime, legislation is urgently needed to stop the hemorrhaging of precious tax dollars through this tax dodge. Our top priority is for Congress to enact the Stop Corporate Inversions Act (S. 2360), sponsored by Sen. Carl Levin and 22 other senators. This measure would end the current practice of treating inverted corporations as foreign companies even when they have not left the United States in any real sense.

We also urge action to stem “earnings stripping” for inverted firms, whereby a U.S. company borrows money from its new foreign parent in order to reduce its taxable income here at home and shift its profits offshore. Senators Schumer and Durbin have proposed legislation that would partially address this tax dodge.

We should no longer provide generous taxpayer-funded contracts and subsidies to corporations that abandon America. Sen. Levin’s No Federal Contracts for Corporate Deserters Act (S. 2704) would ban firms that change their corporate address to a tax haven from receiving government contracts. Congress should also require that firms leaving here pay unpaid taxes on past profits held offshore. U.S. companies enjoy the privilege of deferring payment of their taxes on offshore earnings, which in effect grants them a no-interest loan from taxpayers that should be repaid if corporations re-incorporate elsewhere.

Demanding that corporations that desert America pay their unpaid taxes when they leave would be similar to the taxes that wealthy individuals pay on their unrealized capital gains when they renounce their U.S. citizenship. Corporations should be held to the same standard when they too renounce America and reincorporate in another country by requiring them to pay the taxes that they owe.

Thank you for considering our position.

Sincerely,

AFL-CIO
Alliance for a Just Society
Alliance for Retired Americans
American Association of University Women
American Federation of Government Employees
American Federation of State, County and Municipal Employees
American Federation of Teachers
Americans for Democratic Action
Americans for Tax Fairness
Bend the Arc: A Jewish Partnership for Justice
Campaign for America’s Future
Center for Biological Diversity

Center for Community Change
Center for Effective Government
Citizens for Tax Justice
Coalition on Human Needs
ColorOfChange.org
CREDO Action
Daily Kos
Democracy for America
Department for Professional Employees, AFL-CIO
Effective Assets
Every Child Matters
Fair Share
Financial Accountability & Corporate Transparency (FACT) Coalition
First Affirmative Financial Network
Franciscan Action Network
International Association of Machinists & Aerospace Workers
International Brotherhood of Electrical Workers
International Brotherhood of Teamsters
International Union, United Automobile, Aerospace & Agricultural Implement
Workers of America (UAW)
Islamic Society of North America Office for Interfaith & Community Alliances
MoveOn.org
National Education Association
National Employment Law Project
National Organization for Women
National People's Action
National Priorities Project
National Women's Law Center
NETWORK, A National Catholic Social Justice Lobby
Oxfam America
Pax Christi USA
Public Citizen
Racial and Ethnic Health Disparities Coalition
Service Employees International Union
Tax Justice Network
The Arc
The Leadership Conference on Civil and Human Rights
The Main Street Alliance
United Food and Commercial Workers, International
United for a Fair Economy
United Steelworkers
USAction
U.S. PIRG
Voices for Progress
Working America