39 National Organizations Oppose Permanent Corporate Tax Extenders; Support Improvements to the EITC and CTC

December 1, 2015

Dear Member of Congress:

As you vote on tax extender legislation this year, any effort to make tax cuts permanent should be reserved for only pro-worker tax credits. We do not support making any corporate tax extenders permanent. We also strongly oppose any extension of bonus depreciation and those tax extenders that encourage companies to shift jobs offshore and hide profits in tax havens (Active Financing Exception and Controlled Foreign Corporation (CFC) Look-Through Rule).

The two-year cost of renewing more than 50 tax breaks, known as tax extenders, is $96 billion, according to the Joint Committee on Taxation. About $78 billion (82%) of the costs are tax breaks to businesses and $16 billion (17%) of those are tax breaks that encourage companies to shift profits and jobs offshore. The 10-year cost of making permanent the business tax breaks balloons to about $600 billion; $100 billion just for the two offshoring tax breaks.

Renewal of any corporate tax breaks should be paid for by closing other corporate tax loopholes. Corporations have not contributed a dime to deficit reduction in recent years by repealing even one corporate tax break or loophole. Meanwhile, nearly $2.7 trillion in spending cuts are scheduled over the next 10 years. Even with the recent budget deal, nondefense discretionary programs—which include education, housing, infrastructure, and research—will be cut to a smaller share of the economy than any time since the government began tracking this data in 1962.

It is time to end—and reverse—the double-standard whereby tax cuts for corporations are not paid for while services and other vital investments have to be paid for. That is why we urge you to oppose making any corporate tax breaks permanent. The giveaway that is being contemplated is mindboggling—$667 billion over 10 years—should the six big-ticket measures already passed by the House or the House Ways and Means Committee be approved. The merits of those tax breaks should be debated and if they are renewed they should be paid for, as part of broader corporate tax reform.

Instead, we urge you to make permanent the 2009 improvements to the pro-work Earned Income Tax Credit (EITC) and the Child Tax Credit, which are expiring soon. If these improvements expire it will push more than 16 million people—including about 8 million children—into poverty or deeper into poverty. The EITC and low-income Child Tax Credit are pro-work success stories and among the most successful anti-poverty tools ever developed.

We are opposed to three corporate tax breaks, whether short-term or permanent: bonus depreciation, which should not even be considered a tax extender, and two tax extenders that encourage the shifting of jobs offshore and profits to tax havens—the Active Financing Exception (AFE) and the CFC Look-Through Rule. Our concerns are as follows:

- **Bonus depreciation** ($281 billion over 10 years). This tax break was previously enacted to help stimulate the economy during two recent downturns, but its purported benefits are very limited. In a review of several studies the Congressional Research Service said "research suggests that bonus depreciation was not very effective." Moody's Analytics found that the bang for the buck (additional GDP per tax dollar) of accelerated depreciation, which is similar to bonus depreciation, is much less effective than other types of tax cuts or public spending. For example, every dollar "spent" on depreciation creates just 29 cents of economic activity vs $1.23 for the Earned Income Tax Credit and $1.38 for the Child Tax Credit. For a more detailed bonus depreciation fact sheet go here.

- **Active Financing Exception** ($78 billion over 10 years). This tax loophole lets corporations (primarily financial institutions such as GE Capital, Wall Street banks and insurance companies) avoid paying U.S. taxes on the financial income they earn (or claim to earn) in foreign countries, so long as those profits remain officially offshore. This is a major reason that General Electric, which made $27.5 billion in profits from 2008-2012, got a total of $3.1 billion in federal tax refunds and paid an effective tax rate of negative 11.1% over that period, according to Citizens for Tax Justice. For a more detailed AFE fact sheet go here.

- **Controlled Foreign Corporation (CFC) Look-Through Rule** ($22 billion over 10 years). This tax loophole lets U.S. multinationals shift profits between foreign subsidiaries without triggering the U.S. taxes normally due. It works like this: A U.S. corporation sets up offshore Subsidiary A, which conducts real business selling goods and services in a country with normal tax rates. It also sets up Subsidiary B, often with little more than an office address, in a foreign tax haven with low or no corporate taxes. The U.S. parent grants ownership of assets like brands and patents to Subsidiary B, which "licenses" them to Subsidiary A at steep prices. The internal royalty payments artificially inflate Subsidiary A's costs and therefore reduce its profits and tax liability and ultimately that of its parent corporation. For a more detailed CFC fact sheet go here.

Again, as you vote on tax extender legislation this year, any effort to make tax cuts permanent should be reserved for only pro-worker tax credits, such as the EITC and the Child Tax Credit. We do not support making any corporate tax extenders permanent. We also strongly oppose any extension of bonus depreciation and those tax extenders that encourage companies to shift jobs and hide profits offshore.

Sincerely,
AFL-CIO
Alliance for a Just Society
Alliance for Retired Americans
American Federation of Government Employees
American Federation of State, County & Municipal Employees

Americans for Democratic Action
Americans for Tax Fairness, a coalition of [425 endorsing organizations]
Asset Building Strategies
Campaign for America's Future
Center for Effective Government
Center for Popular Democracy Action
Citizens for Tax Justice
Coalition on Human Needs
CREDO Action
Daily Kos
Economic Policy Institute Policy Center
Every Child Matters
Fair Share
Institute for Policy Studies
Leadership Conference on Civil and Human Rights
Main Street Alliance
MoveOn.org
National Advocacy Center of the Sisters of the Good Shepherd
National Association of Social Workers
National Education Association
National Employment Law Project
National Fair Housing Alliance
National People's Action
National Priorities Project
National Women's Law Center
Oxfam America
Public Citizen
RESULTS
Service Employees International Union
Tax Justice Network
The Arc
USAction
Vietnam Veterans of America
Working America