AMERICANS FOR TaxFairness

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 more than 275 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.

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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]

[1]Center on Budget and Policy Priorities, "To Stabilize the Debt, Policymakers Should Seek Another $1.4 Trillion in Deficit Savings," Table 2 (Jan. 9, 2013), http://www.cbpp.org/cms/index.cfm?fa=view&id=3885.

[2]

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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**