July 21, 2015

Dear Senate Finance Committee Member:

Today you will vote on legislation that would renew more than 50 tax breaks – known as tax extenders – for another two years at a cost of $96 billion, according to the Joint Committee on Taxation. About $78 billion (82 percent) of the costs are tax breaks to businesses and $17 billion (18 percent) are tax breaks that encourage companies to ship profits and jobs offshore. If Congress continues on its path of extending these breaks every two years, the cost of all of the tax breaks balloons to $700 billion, according to Congressional Budget Office data, with the two offshoring tax breaks totaling more than $80 billion.

Every year or two Congress rubber-stamps these corporate tax breaks without evaluating whether they are worth the cost. Some of them should be discontinued because the revenue devoted to those tax breaks would be better spent in other ways, such as improving our schools, rebuilding roads and bridges, researching new medical cures – or reducing the deficit.

Now is the time to change direction. While we may not agree on the importance of maintaining these corporate tax breaks, we should be able to agree that the cost of renewing them should be offset by closing other corporate tax loopholes.

Moreover, we also should be able to agree that the two tax breaks that subsidize the shipping of profits and jobs offshore – the Active Financing Exception and the CFC Look Through Rule – should not be renewed:

- **Subpart F Active Financing Exception ($13.5 billion two-year cost)** is a tax loophole that lets corporations – primarily financial institutions such as GE Capital, Wall Street banks and insurance companies – avoid paying taxes to any nation on their financial income they earn (or claim to earn) in foreign countries, so long as those profits remain officially offshore. [See Citizens for Tax Justice and Americans for Tax Fairness fact sheets] This is part of the 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 minus 11.1 percent over that period, according to Citizens for Tax Justice.

- **Controlled Foreign Corporations (CFC) Look Through Rule ($2.7 billion two-year cost)** is a tax loophole that allows U.S. multinationals to create "stateless income," which is treated, for tax purposes, as earned in a low-tax (or no-tax) country, where the company's operations may consist only of renting a mailbox, instead of in the countries where the employees and assets are located. [See Citizens for Tax Justice and Americans for Tax Fairness]

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It is time to end the double standard whereby tax cuts for corporations are not paid for, while services and other vital investments have to be paid for. Tax breaks are not free. Every dollar given away to extend corporate tax breaks – for businesses, including wealthy NASCAR race track owners, thoroughbred breeders in Kentucky, large profitable corporations, and Wall Street banks – is a dollar not available to feed the hungry, educate our children, invest in jobs for the future or reduce the deficit.

Consider: the $96 billion in tax breaks is more than the $87 billion shortfall from 2016 through 2021 in the Highway Trust Fund Accounts, according to the Congressional Budget Office, which imperils basic investments in roads, bridges and mass transit.

Again, on behalf of Americans for Tax Fairness's 425 endorsing organizations we ask you not to renew corporate tax extenders unless the costs are paid for by eliminating other corporate tax breaks. We also ask that you not renew the two tax loopholes that encourage companies to ship profits and jobs offshore – Active Financing Exception and the CFC Look Through Rule.

Big corporations need to start paying their fair share of taxes. A good place to start is with tax-extenders legislation.

Sincerely,

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