



**COMMENTS TO THE U.S. TREASURY DEPARTMENT AND THE INTERNAL REVENUE SERVICE ON
THE PROPOSED “SERIAL INVERTER” RULE
Wednesday, June 29, 2016**

Docket Name: Inversions and Related Transactions (REG-135734-14)

Docket Number: IRS-2016-0015-0002

Docket RIN: 1545-BM45

On behalf of the Main Street Alliance, a national network of small business owners, I am writing to strongly support the proposed rule on Inversions and Related Transactions, also known as the “serial inverter” rule. The Treasury Department’s rule will not only preserve critical tax dollars owed by U.S. corporations seeking to shift their legal address offshore, but it will help level the playing field for job-producing, tax-paying small businesses. This rulemaking is necessary because the U.S. Congress has failed to act to stem the tide of inversions.

As you are well aware, small businesses are the engine of our economy. They are a primary driver of job growth and wealth creation, producing more than half the jobs in the country and 70% of net new jobs. Despite their critical importance, the current tax code contains numerous tax loopholes that disproportionately favor multinational corporations over small businesses. Inversions are one of the more egregious examples of these loopholes. They occur when U.S. multinational corporations purchase a foreign company in order to shift their corporate headquarters on paper to a low-tax (or no-tax) jurisdiction to avoid paying U.S. corporate income taxes. These inversions do not change anything about how the business is conducted or where it is managed – they are simply a way for a corporation to avoid paying its fair share of taxes.

Inversions are a particularly stark case of a corporate tax evasion strategy that disadvantages small businesses. Deeply imbedded in their local economy, small businesses are not able to—nor do they want to—move their headquarters offshore to reduce their tax liability. Nor can they afford armies of high-priced tax attorneys to exploit other tax loopholes. Rather, small businesses, operating on often small margins, contribute to the tax base and the local economy while their corporate competitors, with often much lower effective tax rates, experience unfair competitive advantages. As a result, small businesses are forced to shoulder the burden in the form of higher taxes, less funds for infrastructure and municipal services, and a greater share of the national debt.

Indeed, the Joint Committee on Taxation estimates that corporate inversions could result in a loss to the Treasury of [\\$34 billion over the next 10 years](#), money that is needed for priorities that can improve our local communities.

We endorse [the comments](#) supporting this rule recently submitted by Americans for Tax Fairness and have uploaded them with this submission. We strongly agree with Americans for Tax Fairness that Treasury needs to go beyond this narrowly tailored rule that just applies to serial inverters, since most inversions or mergers do not occur with offshore corporations that are serial inverters. Therefore, it is necessary to go beyond the scope of this proposed rule to prevent so-called “hopscotch loans” when U.S. corporations invert or merge with foreign companies. This is a way that U.S. corporations can get tax-free access to their existing offshore profits and permanently avoid paying U.S. taxes on them.

We urge you to address these egregious loopholes that unfairly penalize small businesses.

Thank you for your attention to these comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Amanda Ballantyne', with a long horizontal flourish extending to the right.

Amanda Ballantyne
National Director
Main Street Alliance