

## 24 International Tax Experts Address Current Tax Reform Efforts in Congress

September 25, 2015

Dear Member of Congress:

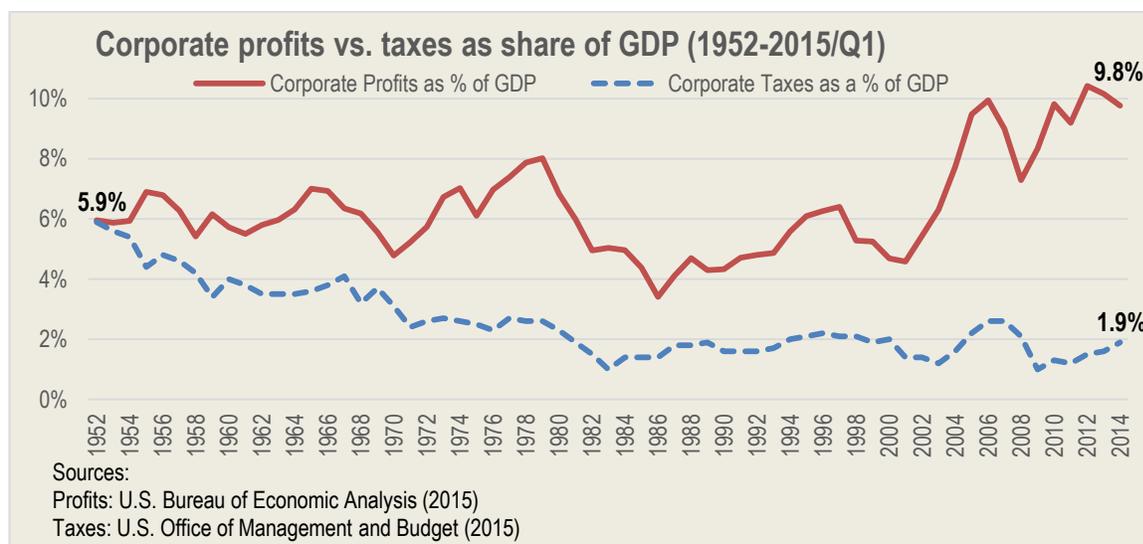
As legal scholars, economists and practitioners who are experts on international tax issues, we are writing to express our opposition to current proposals for the creation of a territorial tax system through use of a “dividend exemption” regime and for a temporary highly-preferential rate of tax on the \$2.1 trillion in untaxed foreign profits of U.S. multinational corporations. Such proposals would simply exacerbate the problems of our current tax system, which encourages the export of jobs and shifting of profits to low or no tax countries and puts domestic companies at a competitive disadvantage with respect to U.S. multinationals.

These matters have taken on a sense of urgency as President Obama and some in Congress are hoping to use short-term revenue from taxing unrepatriated foreign earnings to help address the recurring shortfall in the Highway Trust Fund.

Below are our significant concerns with the justifications given for these international tax proposals and with the proposals that have been floated so far, including the framework from Senators Rob Portman (R-OH) and Charles Schumer (D-NY).

### U.S. Multinationals Are Highly Profitable and Competitive Under the Current U.S. Tax System

First, it is worth noting that U.S. corporations in general have done very well in recent years. They are more profitable than ever, with \$1.8 trillion in profits in the second quarter of 2015 alone.<sup>1</sup> Their profits as a share of GDP – at 9.8% – are nearly at all-time highs.<sup>2</sup> Their U.S. taxes as a share of GDP are just 2%, which are near all-time lows.<sup>3</sup> [See Figure below] And U.S. corporate taxes as a share of federal revenue have plummeted from 32.1% in 1952 to 10.6% last year.<sup>4</sup> Finally, the number of cross-border acquisitions involving U.S. and other OECD countries has remained relatively constant over the last decade – U.S. firms acquired 324 OECD firms in 2006 and 238 in 2014 and OECD firms acquired 311 U.S. firms in 2006 and 226 in 2014.<sup>5</sup>



There is no factual basis for the assertion that U.S. multinationals cannot compete globally because of the U.S. tax system. The effective tax rates on their worldwide income, including U.S. taxes, are typically far below the 35% statutory rate – at one-half the 35% rate or even less, according to some estimates. In sum, U.S. multinationals are unquestionably the world’s leaders in global tax-avoidance strategies, relying on profit shifting to foreign tax havens and other tax-avoidance strategies. This gives them a big advantage over domestic U.S. firms, many of which pay close to the statutory rate, and it encourages the export of jobs and shifting of profits.

*An attachment to this letter summarizes some of the best scholarly research to date showing how the current tax system enables U.S. firms to pay relatively low effective tax rates.*

### **A U.S. Territorial Tax System is Not the Answer**

Most OECD countries operate under a territorial tax system, in which domestic corporations are exempted from paying taxes on most income generated in countries other than where they are based. Conversely, the U.S. taxes the worldwide income of U.S.-resident corporations, allowing credits for foreign taxes paid to avoid double taxation. However, the U.S. tax system includes a deferral regime, which allows U.S. corporations to defer paying U.S. tax on their foreign earnings until that income is repatriated. Deferral, including the costs of the active financing exception tax break that applies to profits from offshore banking and finance, at about \$900 billion over 10 years is calculated to be the largest corporate tax expenditure in the Code, according to government data.<sup>6</sup>

Deferral essentially swallows up the general rule, because firms can leave profits outside the U.S. tax system for both cash tax and financial accounting purposes. As a result, deferral permits U.S. multinationals to operate today under a hybrid or quasi-territorial tax system. Firms take abundant advantage of deferral, which is why they currently carry on their financial books \$2.1 trillion of untaxed foreign earnings. The U.S. tax code’s deferral regime encourages firms to use every tactic at their disposal to keep their profits offshore where they are indefinitely untaxed by the Treasury. This is a major reason why U.S. multinationals pay such low effective tax rates.

Senators Portman and Schumer, as well as President Obama and former Representative Dave Camp, have all advanced proposals that would shift the United States much closer to a territorial tax system, mainly through some form of a dividend exemption regime. When U.S. multinationals do repatriate foreign earnings, they typically accomplish this through a dividend paid by the foreign affiliate on the affiliate’s stock that is held by the U.S. parent. The U.S. parent company may invest the repatriated funds in its U.S. operations or distribute them to its own shareholders. The last time there was a repatriation tax holiday, despite specific statutory prohibitions, repatriated funds were used to buy back corporate stock, which artificially boosted share prices of the U.S. parent and resulted in large bonuses for executives.<sup>7</sup> A number of the proposals noted above would exempt from the U.S. parent’s income the majority of the dividends received, effectively resulting in a single-digit rate of tax on that dividend income.

Unfortunately, a territorial tax system would only increase incentives for companies to shift profits offshore and exacerbate the use of tax-avoidance strategies, thereby increasing their competitive advantage over domestic companies that create jobs and profits in America. This is because, once designated as foreign earnings, that income would never be taxed, even upon repatriation to the U.S. parent.

We believe a true worldwide tax system – without deferral – is superior to a territorial tax system. Such a system would go a long way toward eliminating incentives under the current tax system and under a territorial tax system to shift production and jobs, as well as profits, offshore, especially to tax havens. It also would end many of the competitive disadvantages that American domestic firms experience with U.S. multinational corporations.

If, however, Congress moves forward with an international tax overhaul along the lines advanced by Senators Portman and Schumer, we urge you to adopt very strong anti-abuse rules to minimize profit shifting and other tax-avoidance strategies. For instance, if a minimum corporate tax is adopted for offshore profits going forward, it should be designed to operate on a country-by-country basis, and be applied at a substantial tax rate roughly comparable to the effective rates that domestic firms face and that are imposed by our large trading partners on their own domestic enterprises.

Regardless of the approach Congress takes to international tax changes, we strongly encourage U.S. participation in the development of global anti-tax avoidance rules. The G20 and OECD countries, many with territorial tax systems, have recognized that all nations lose when multinational companies succeed in sheltering income from taxation in any country – income that is effectively “stateless.”<sup>8</sup> They are moving aggressively to end profit shifting and other tax-avoidance tactics. But the success of international cooperation depends upon all parties joining the effort.

### **There is a Simple Remedy to Prevent Corporate Inversions: It’s Not a Territorial Tax System**

One of the spurious arguments in favor of territoriality is that current law encourages “inversions,” which are mergers between U.S. companies and smaller foreign targets in which the merged company is nominally based in a territorial jurisdiction. The recent Senate Permanent Subcommittee on Investigations (PSI) majority staff report into the Valeant/Salix and Burger King/Tim Hortons transactions is frequently cited for the proposition that the United States should adopt territoriality to discourage such transactions.<sup>9</sup>

However, the PSI report does not support the case for territoriality. A lower foreign tax rate is not the principal tax attraction of inversions. A primary motive is the ability of corporations to strip taxable income out of the United States, through introducing internal indebtedness running from the U.S. company to its foreign parent. This is a serious problem, but one that is easily addressed by Congress’s tightening the Code’s current earnings stripping rules, which are much too lax. In the past, a second motive was the desire of multinationals to avoid paying U.S. tax on their unrepatriated profits by redeploying those profits through “hopscotch loans” to the new foreign parents after an inversion, but Treasury moved a year ago to close down this tax-avoidance strategy.

If President Obama's anti-inversion proposals were adopted, both the U.S. firm and the new smaller foreign parent would still be regarded as U.S. tax residents because the test for residency would depend on the substantive location of headquarters. Those are not easily moved: Even in the aborted Pfizer/Astra Zeneca deal, in which the CEO of the acquiring company (Pfizer) was a British citizen, the combined headquarters would have stayed in New York even though tax residence would have been in the United Kingdom. Inversions can further be addressed without adopting territoriality, especially if the Obama proposal is strengthened, by adopting a corporate exit tax (deemed sale of assets) upon a move of the headquarters. Such exit taxes, deemed European Union-treaty compliant by the European Court of Justice, are the main reason there are no inversions in continental Europe.

### **Avoid a Low Repatriation Tax Rate**

Today's international corporate tax debate is driven by both the desire of U.S. multinationals to return a significant portion of their already-booked but untaxed offshore profits at an extremely low tax rate and the government's dire need for funds to repair and rebuild the nation's crumbling infrastructure, much of which would come from the Highway Trust Fund. President Obama has proposed that these already-booked earnings be "deemed" repatriated and taxed immediately at a 14% rate, whether the profits are actually repatriated or not, as a means of covering the cost of rebuilding our infrastructure. Of course, profits that have been booked in countries with reasonable tax rates – as opposed to in tax havens – would not be subject to any additional U.S. tax due to the foreign tax credit.

While we support mandatory deemed repatriation as part of corporate tax reform's transition to a more stable international tax system, we are greatly troubled by the major corporate push for an even lower rate than the very modest 14% rate proposed by the President. The fact is that the \$2.1 trillion in offshore foreign earnings are from past corporate activities. This means that, from an economist's point of view, a high tax rate on those old earnings actually is "efficient" in the technical sense, because firms will not be able to change their future behavior to avoid this tax.

More colloquially, there simply are no competitiveness concerns with a substantial tax rate on these old earnings. The very large multinationals that today hold the bulk of offshore unrepatriated earnings have ample access to low-cost liquidity in the capital markets. If necessary, liquidity concerns can be addressed by permitting firms to pay their mandatory repatriation tax bill over several years, and by considering a split tax rate on offshore earnings: a more moderate rate on earnings that have been invested in non-financial assets for the last several years, and a much higher rate on cash and other pure financial holdings.

Most of these offshore profits are held by a few dozen U.S. multinationals that have exhibited the most aggressive tax avoidance of all, with a large percentage of those profits held in tax havens. Credit Suisse found that just 43 of 310 Fortune 500 companies hold 70% of the \$2.1 trillion in unrepatriated profits.<sup>10</sup> It seems misguided, if not foolish, to be enacting such a sweeping tax giveaway, not to mention creation of a territorial tax system, to primarily benefit a few dozen multinationals.

Research by Kimberly Clausing shows that nearly half of all U.S. foreign profits (46.5%) were held in just seven tax-haven countries with effective tax rates averaging less than 6.5%.<sup>11</sup> Research by Gabriel Zucman found that 55% of all U.S. foreign profits were in tax havens, with effective tax rates averaging just 3%.<sup>12</sup> Credit Suisse found that the average tax rate on the \$2.1 trillion in offshore profits was 10%, based on 69 of 310 Fortune 500 companies that disclose how much profits they have offshore and that also estimated their potential tax liability. The companies would owe \$533 billion on those profits, assuming an implied tax rate of 25%.<sup>13</sup> Similarly, Citizens for Tax Justice found that 57 disclosing U.S. corporations out of 304 Fortune 500 companies paid an average tax rate of just 6.3% on their share of the \$2.1 trillion in profits and owe \$600 billion.<sup>14</sup>

It is also important to note that this money is not trapped offshore – under current law these untaxed profits can be invested in any U.S. firm, deposited in any U.S. bank or used to purchase any federal, state or local government security as long as it is not directly invested in the U.S. parent.<sup>15</sup>

In sum, we do not believe these companies should be rewarded with a discounted tax rate, regardless of whether the money will be used for productive investments, which is highly unlikely given the discredited experience with the 2004 repatriation tax holiday documented by numerous experts.<sup>16</sup> The understanding under deferral has always been that these earnings would eventually be taxed at the full rate less credits and deductions. That should not change, so we urge you not to buckle under pressure from corporations whose offshore profits have ballooned nearly fivefold since the last repatriation holiday – from about \$435 billion in 2005 to \$2.1 trillion today<sup>17</sup> – in anticipation of another holiday that would let them avoid paying what they owe.

### **A Patent Box Regime Would be a New Loophole**

It has been proposed that as part of a tax system overhaul the United States should adopt a “patent box” or “innovation box” structure. U.S. multinationals seem to be particularly intent on creating this new, and potentially huge, tax break, which would allow companies to pay a very low tax rate on patent-related income. A patent box is a very poorly targeted and very costly way to try to encourage research. The cost of draft patent box legislation with a 10% corporate income tax on profits derived from intellectual property was recently given a \$280 billion price tag by the Joint Committee on Taxation (JCT).<sup>18</sup> Moreover, the U.S. already provides nearly \$14 billion a year in tax incentives for research activities.<sup>19</sup>

In a recent extensive review of the pros and cons of patent boxes, the JCT found that there is a “lack of conclusive research supporting arguments that intellectual property regimes [such as patent boxes] have real economic effects.” The JCT also noted that “a research tax credit is more targeted than an intellectual property regime.” That is because research activity receives a direct subsidy from the research credit, whereas “an intellectual property regime increases the after-tax returns to all activity that generates income related to intellectual property, including non-research expenditures such as marketing.”<sup>20</sup> Also, a patent box only rewards revenue-generating research, which skews any incentive away from significant innovation and towards innovation that merely “tweaks” existing products and processes.

In conclusion, we do not believe creation of a territorial tax system through use of a “dividend exemption” regime or enacting deemed repatriation that provides a highly-preferential rate of tax on the \$2.1 trillion in untaxed foreign profits of U.S. multinationals is in the best interests of the federal government, taxpayers and domestic industries, which pay their fair share of taxes. These measures would simply exacerbate the problems of our current tax system, which encourages the export of jobs and shifting of profits to low or no tax countries and puts domestic companies at a competitive disadvantage with respect to U.S. multinationals.

Sincerely,

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## Summary of Research on U.S. Effective Corporate Tax Rates

Below is summarized some of the best scholarly research showing how the current system ensures that U.S. firms, especially multinationals, pay relatively low effective tax rates, compared with their competitors, many of which have territorial tax systems:

### Effective Tax Rates for All U.S. Corporations

- [U.S. Government Accountability Office](#): Profitable U.S. corporations paid U.S. federal income taxes of about 13% of their pretax worldwide income in 2010, the most recent year for which data are available. The effective tax rate was about 17% when foreign and state and local income taxes are included.<sup>21</sup>
- [Gabriel Zucman \(University of California at Berkeley\)](#): In 2013, the effective U.S. corporate tax rate was 15% for taxes paid to the U.S. government and 19% for taxes paid to U.S. and foreign governments. Out of the roughly 10-point decline in effective tax rates between 1998 and 2013, about two-thirds or more of the decline is attributable to increased profit-shifting to low-tax jurisdictions.<sup>22</sup>
- [Citizens for Tax Justice](#): A survey of 288 U.S. corporations, which included most of the Fortune 500 corporations that were profitable each year from 2008 through 2012, found that they paid an average effective federal tax rate of just 19.4% over that period. Of 125 U.S. corporations that had significant foreign profits, two-thirds (82) paid a higher effective rate to foreign governments than they paid to the United States on their U.S. profits. Moreover, 26 profitable corporations – including General Electric, Boeing, Priceline.com, and Verizon – paid no federal income taxes over the five-year period.<sup>23</sup>

### Effective Tax Rates for U.S. Multinational Corporations, including in Tax Havens

- [Harry Grubert, U.S. Department of the Treasury](#): About 80% of all the foreign income of U.S.-based multinationals was taxed at a 15.9% rate in 2004, down from a rate of 21.3% in 1996.<sup>24</sup>
- [IRS and Congressional Budget Office researchers](#): The average effective tax rate of all U.S. corporate offshore subsidiaries, known as controlled foreign corporations (CFCs), was just 15.6% in 2006. By comparison, the average tax rate on taxable income for all U.S. corporations was 27.3%. Two industries – Information and Finance and Insurance – that are pushing the hardest for international tax reform had effective tax rates on offshore profits of just 15.3% and 11.2%, respectively.<sup>25</sup>
- [Harry Grubert \(Treasury Department\) and Rosanne Altshuler \(Rutgers University\)](#): 54% of earnings of known U.S. CFCs were taxed at an effective foreign rate of 15% or less in 2006; 46.3% of earnings of U.S. CFCs were taxed at an effective foreign rate of 10% or less in 2006.<sup>26</sup>
- [Reuven Avi-Yonah \(University of Michigan\) and Yaron Lahav \(Ben Gurion University\)](#): The effective tax rate paid by the 100 largest U.S. multinational corporations was about 30% on average from 2000 to 2010, whereas the 100 largest European multinational firms paid an

effective tax rate of about 34%. This study's findings are in stark contrast to a study by PricewaterhouseCoopers that was funded by and is heavily promoted by industry.<sup>27</sup>

- [Gabriel Zucman \(University of California at Berkeley\)](#): In 2013, 55% of the \$2.1 trillion in U.S. profits that are offshore were in tax-haven countries. Firms paid just a 3% tax rate on these profits.<sup>28</sup>
- [Kimberly Clausing \(Reed College\)](#): In 2011, nearly half of all U.S. foreign profits (46.5%) were held in just seven tax-haven countries with effective tax rates averaging less than 6.5%.<sup>29</sup>
- [Citizens for Tax Justice](#): In 2010, U.S. corporations reported to the IRS that the effective tax rate they paid on their profits in 12 tax havens was only 7%.<sup>30</sup>
- [Credit Suisse](#): In 2015, 69 disclosing U.S. corporations out of the 310 Fortune 500 companies holding \$2.1 trillion in unrepatriated offshore profits have paid an average tax rate of 10% on their share of those profits, which means most of the earnings are likely in tax havens. Moreover, just 43 companies hold 70% of those offshore profits.<sup>31</sup>
- [Citizens for Tax Justice](#): In 2015, 57 disclosing U.S. corporations out of the 304 Fortune 500 companies holding \$2.1 trillion in profits offshore have paid an average tax rate of just 6.3% on their share of those profits, which means most of the money is likely in tax havens.<sup>32</sup>

### Lower Tax Rates Have Little Relationship to Companies Being More Internationally Competitive or Increasing Growth

- [Harry Grubert \(Treasury Department\)](#): An analysis of nearly 800 large nonfinancial U.S.-based multinational corporations found that “[L]ower effective foreign tax rates do not seem to be important contributors to worldwide growth. The importance of low tax burdens on foreign income for U.S. worldwide ‘competitiveness’ does not seem to have much empirical support.”<sup>33</sup>
- [Congressional Research Service](#): “Because of the factors that constrain capital flows, estimates for a [corporate tax] rate cut from 35% to 25% suggest a modest positive effect on wages and output: an eventual one-time increase of less than *two-tenths of 1% of output*. Most of this output gain is not an increase in national income because returns to capital imported from abroad belong to foreigners and the returns to U.S. investment abroad that comes back to the United States are already owned by U.S. firms.”<sup>34</sup> [Emphasis added]

### Endnotes

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<sup>1</sup> U.S. Bureau of Economic Analysis (BEA), “Corporate Profits After Tax (without IVA and CCAdj) [CP]/ Gross Domestic Product [GDP],” retrieved from FRED, Federal Reserve Bank of St. Louis.

<https://research.stlouisfed.org/fred2/series/CP/GDP/>

<sup>2</sup> BEA at <https://research.stlouisfed.org/fred2/graph/?g=1Pik>

<sup>3</sup> U.S. Office of Management and Budget (OMB), “Historical Budget Tables, Table 2.3: Receipts by Source as Percentages of GDP” <https://www.whitehouse.gov/omb/budget/Historicals>.

<sup>4</sup> OMB, “Historical Budget Tables, Table 2.2: Percentage Composition of Receipts by Source 1934-2020.” <https://www.whitehouse.gov/omb/budget/Historicals>

<sup>5</sup> Joint Committee on Taxation (JCT), *Present Law And Selected Policy Issues In The U.S. Taxation Of Cross-Border Income* (March 16, 2015), Table 3 at 74. <https://www.jct.gov/publications.html?func=startdown&id=4742>

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- <sup>6</sup> The \$900 billion figure is an average based on blended tax expenditure calculations by the Joint Committee on Taxation, Congressional Budget Office and Office of Management and Budget, which ranged from \$887 billion to \$940 billion over 10 years. The calculation includes general foreign deferral and extending the exception under subpart F for active financing income, a tax extender that is regularly renewed. Data is available at <http://www.americansfortaxfairness.org/files/Deferral-Cost-Estimates-from-JCT-and-Treasury-FINAL.xls>
- <sup>7</sup> Donald J. Marples and Jane G. Gravelle, Congressional Research Service (CRS), *Tax Cuts on Repatriation Earnings as Economic Stimulus: An Economic Analysis* (December 20, 2011). <https://www.fas.org/sgp/crs/misc/R40178.pdf>. U.S. Senate Permanent Subcommittee on Investigations Majority Staff Report, *Repatriating Offshore Funds: 2004 Tax Windfall for Select Multinationals* (October 11, 2011). <http://www.gpo.gov/fdsys/pkg/CPRT-112SPRT70710/pdf/CPRT-112SPRT70710.pdf>
- <sup>8</sup> For a detailed discussion of “stateless income” see Edward J. Kleinbard, USC Gould School of Law, *Stateless Income* (November 15, 2011). [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1791769](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1791769)
- <sup>9</sup> U.S. Senate Permanent Subcommittee on Investigations, Majority Staff Report, *Impact of the U.S. Tax Code on the Market for Corporate Control and Jobs* (July 2015). <http://www.hsgac.senate.gov/download/?id=15CC6093-BC05-4007-824E-BB908928B092>
- <sup>10</sup> Credit Suisse, *Parking A-Lot Overseas* (March 17, 2015), at 16. [https://doc.research-and-analytics.csfb.com/docView?language=ENG&format=PDF&source\\_id=em&document\\_id=1045617491&serialid=iHde13PmaivwZHRANjglDIKxoEiA4WVARdLQREk1A7g%3D](https://doc.research-and-analytics.csfb.com/docView?language=ENG&format=PDF&source_id=em&document_id=1045617491&serialid=iHde13PmaivwZHRANjglDIKxoEiA4WVARdLQREk1A7g%3D)
- <sup>11</sup> Kimberly A. Clausing (Clausing), *The Nature and Practice of Capital Tax Competition* (April 5, 2015), at 10. <http://ssrn.com/abstract=2489224>
- <sup>12</sup> Gabriel Zucman (Zucman), *Journal of Economic Perspectives*, *Taxing Across Borders: Tracking Personal Wealth and Corporate Profits* (Fall 2014), Figure 2 at 128-130. <http://gabriel-zucman.eu/files/Zucman2014JEP.pdf>
- <sup>13</sup> Credit Suisse at 4.
- <sup>14</sup> Citizens for Tax Justice (CTJ), *Dozens of Companies Admit Using Tax Havens* (April 1, 2015). CTJ calculates that the average implied tax rate of these 57 companies if they repatriated their profits would be 28.7%, which means their average reported tax rate paid on offshore profits to foreign governments was 6.3% (out of 35%). [http://ctj.org/ctjreports/2015/04/dozens\\_of\\_companies\\_admit\\_using\\_tax\\_havens\\_1.php#VeCvZPIViko](http://ctj.org/ctjreports/2015/04/dozens_of_companies_admit_using_tax_havens_1.php#VeCvZPIViko)
- <sup>15</sup> For a more detailed discussion see Stephen E. Shay, Harvard Law School, *Tax Notes, The Truthiness of “Lockout”: A Review of What We Know* (March 16, 2015). [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2578713](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2578713)
- <sup>16</sup> CRS
- <sup>17</sup> Credit Suisse, Exhibit 5 at 8.
- <sup>18</sup> Lindsey McPherson, *CQ Roll Call*, “‘Innovation Box’ Would Cost \$280 Billion Over a Decade” (Sept. 9, 2015). Article is behind a paywall.
- <sup>19</sup> The Congressional Budget Office/Joint Committee on Taxation estimates it would cost \$7.9 billion to make the current research credit permanent in 2016 (August 2015), at Table 12, line 23. (<https://www.cbo.gov/publication/45069>) The JCT estimates the expensing of research and experimental expenditures at \$5.8 billion in 2016 (August 5, 2014) at 23. (<https://www.jct.gov/publications.html?func=startdown&id=4663>).
- <sup>20</sup> JCT at 46-47.
- <sup>21</sup> Government Accountability Office, *Corporate Income Tax: Effective Tax Rates Can Differ Significantly from the Statutory Rate*, GAO publication 13-520 (May 30, 2013) at 1. <http://gao.gov/products/GAO-13-520>
- <sup>22</sup> Zucman, Figure 5 at 132-133.
- <sup>23</sup> Citizens for Tax Justice, *The Sorry State of Corporate Taxes: What Fortune 500 Firms Pay (or Don’t Pay) in the USA And What they Pay Abroad — 2008 to 2012* (February 2014). [http://ctj.org/ctjreports/2014/02/the\\_sorry\\_state\\_of\\_corporate\\_taxes.php#VeX4W\\_IViko](http://ctj.org/ctjreports/2014/02/the_sorry_state_of_corporate_taxes.php#VeX4W_IViko)
- <sup>24</sup> Harry Grubert, Office of Tax Analysis, Department of the Treasury, Working Paper 103, *Foreign Taxes and the Growing Share of U.S. Multinational Company Income Abroad: Profits, Not Sales, are Being Globalized* (February 2012) Appendix B, Table B1, at 51. <http://www.treasury.gov/resource-center/tax-policy/tax-analysis/Documents/OTA-W2012-103-Multinational-Income-Globalized-Feb-2012.pdf>

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<sup>25</sup> Melissa Costa (IRS) & Jennifer Gravelle (Congressional Budget Office), *Taxing Multinational Corporations: Average Tax Rates*, 65 Tax L. Rev. 391 (2012), Table 1 at 4. <http://www.americantaxpolicyinstitute.org/pdf/Costa-Gravelle%20paper.pdf>

<sup>26</sup> Harry Grubert and Rosanne Altshuler, *Fixing the System: An Analysis of Alternative Proposals for the Reform of International Tax*, 66 Nat'l Tax J. 671, Table 3 at 699 (Sept. 2013).  
<https://www.law.upenn.edu/live/files/3076-grubert-international-taxation>

<sup>27</sup> Reuven S. Avi-Yonah (University of Michigan Law School) and Yaron Lahav (Ben Gurion University of the Negev), *The Effective Tax Rate of the Largest US and EU Multinationals* (October 24, 2011), Table 1 at 381.  
[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1949226](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1949226)

<sup>28</sup> Zucman, Figure 2 at 128-130.

<sup>29</sup> Clausing, at 10.

<sup>30</sup> Citizens for Tax Justice, "American Corporations Tell IRS the Majority of Their Offshore Profits Are in 12 Tax Havens" (March 27, 2014).

[http://ctj.org/ctjreports/2014/05/american\\_corporations\\_tell\\_irs\\_the\\_majority\\_of\\_their\\_offshore\\_profits\\_are\\_in\\_12\\_tax\\_havens.php#.VgHjit9Viko](http://ctj.org/ctjreports/2014/05/american_corporations_tell_irs_the_majority_of_their_offshore_profits_are_in_12_tax_havens.php#.VgHjit9Viko)

<sup>31</sup> Credit Suisse, Exhibit 13 at 16.

<sup>32</sup> CTJ, "Dozens of Companies Admit Using Tax Havens." CTJ calculates that the average implied tax rate of these 57 companies if they repatriated their profits would be 28.7%, which means their average reported tax rate paid on offshore profits to foreign governments was 6.3% (out of 35%).

[http://ctj.org/ctjreports/2015/04/dozens\\_of\\_companies\\_admit\\_using\\_tax\\_havens\\_1.php#.VeCvZPIViko](http://ctj.org/ctjreports/2015/04/dozens_of_companies_admit_using_tax_havens_1.php#.VeCvZPIViko)

<sup>33</sup> Harry Grubert, Office of Tax Analysis, The Department of the Treasury, Working Paper 103, *Foreign Taxes and the Growing Share of U.S. Multinational Company Income Abroad: Profits, Not Sales, are Being Globalized* (February 2012), at 25. <http://www.treasury.gov/resource-center/tax-policy/tax-analysis/Documents/OTA-W2012-103-Multinational-Income-Globalized-Feb-2012.pdf>

<sup>34</sup> Jane G. Gravelle, Congressional Research Service, *International Corporate Tax Rate Comparisons and Policy Implications* (January 6, 2014), Summary. <http://www.fas.org/sgp/crs/misc/R41743.pdf>