39 National Organizations Objecting to Corporate Tax Extenders Legislation

May 15, 2014

Dear Senator:

Soon 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 $85 billion, according to the Joint Committee on Taxation. About 83 percent of the $85 billion are tax breaks to businesses, and $13 billion (15 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 $80 billion.

Every year or two Congress rubber-stamps these 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.

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. For example, the recent Senate deal to restore emergency unemployment benefits required that the $10 billion cost be fully offset. In December, conservatives in Congress demanded that any increase in spending under the adjustments to the budget sequester be paid for by equal cuts in other spending.

We are especially troubled by two tax loopholes included in this package that allow companies to stash profits offshore where they avoid U.S. taxation:

- **Subpart F Active Financing Exception** 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** 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, Sen. Carl Levin Section 304 of S. 1533, and Americans for Tax Fairness]

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 $85 billion in tax breaks is double the $42 billion shortfall for 2015 to 2016 in the Highway Trust Fund Accounts, according to the Congressional Budget Office, which imperils basic investments in roads, bridges and mass transit.

Again, we ask you to not renew corporate tax extenders unless the costs are paid for by eliminating other corporate tax breaks. (This report provides examples of loophole closers that were recently recommended by Rep. Dave Camp that are possible bipartisan areas of agreement.) We also ask that you not renew the two tax loopholes that encourage companies to ship profits and jobs offshore.

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

Sincerely,

List in formation

9to5
Action for the Common Good
AFL-CIO
Alliance for Retired Americans
American Federation of Government Employees
American Federation of School Administrators
American Federation of State, County and Municipal Employees
American Federation of Teachers
Americans for Democratic Action (ADA)
Americans for Tax Fairness (a coalition of 400 organizations)
Campaign for America's Future
Center for Popular Democracy
Citizens for Tax Justice
Coalition of Labor Union Women
Coalition on Human Needs

ColorofChange.org
Community Action Partnership
Community Organizations in Action
Economic Policy Institute
Every Child Matters Education Fund
Fair Share
Leadership Conference on Civil and Human Rights
National Employment Law Project
National Organization for Women
National People's Action
National Priorities Project
National Women's Law Center
NETWORK, A National Catholic Social Justice Lobby
New Rules for Global Finance
Racial and Ethnic Health Disparities Coalition
Rebuild the Dream
Responsible Wealth
SMART – Transportation Division
SumofUs
United for a Fair Economy
USAction
Voices for Progress
Wealth for Common Good
Working America