Organizations Opposing Rep. Delaney’s Bill Creating a Repatriation Tax Amnesty and an Infrastructure Bank Controlled by Corporate Tax Dodgers

July 16, 2013

Dear Representative:

We urge you to reject the Partnership to Build America Act (H.R. 2084, introduced by Rep. John Delaney), which calls for a “repatriation tax holiday” allowing U.S. multinational corporations to bring home offshore profits tax-free if some of the money is used to buy bonds in an infrastructure bank. A temporary corporate tax holiday is, pure and simple, a form of tax amnesty. It would permit a small number of multinational corporations to dodge their rightful tax obligations, thereby requiring domestic corporations, small businesses, and average taxpayers to pick up their tab.

While an infrastructure bank capitalized through traditional government expenditures could provide additional credit to help finance needed infrastructure investment and create jobs, an infrastructure bank capitalized in the manner set out in Rep. Delaney’s bill would disastrously undermine our ability to invest in 21st century infrastructure by further incentivizing offshore tax dodging at the taxpayer’s expense and giving control of the bank to the worst corporate tax dodgers.

A repatriation tax amnesty is a costly and unwarranted tax break. With Congress struggling to address the projected long-term deficits while continuing to fund public priorities, allowing corporations to bring back profits stashed overseas at a very low – or zero – tax rate is a narrowly targeted tax break that is unjustifiable. Contrary to proponents’ claims, it is not a way to capitalize an infrastructure bank at no cost to taxpayers; rather, the bill offers multinational tax dodgers a tax cut bribe worth up to $105 billion to capitalize a $50 billion bank.

A repatriation tax amnesty rewards the worst corporate actors. Those corporations that would gain the most from a repatriation tax amnesty aggressively shift profits on paper to offshore subsidiaries in tax havens where they pay little or no tax. Many of these subsidiaries have few, if any employees. When Congress last offered a tax holiday in 2004, just .015% of U.S. companies were able to benefit, and 15 large companies accounted for half of the offshore cash repatriated, according to the Senate Permanent Subcommittee on Investigations.

A repatriation tax amnesty will not create U.S. jobs—even with this poorly designed infrastructure bank. The 2004 repatriation amnesty, justified as a job-creating measure, was a dismal failure. Many of the companies that benefitted most from the tax amnesty actually reduced their U.S. employment and did not make investments in production capacity, according to the Senate Permanent Subcommittee on Investigations. Instead, a study by the National Bureau of Economic Research found that 92% of the cash repatriated paid for dividends, stock buybacks, or executive bonuses.

Rep. Delaney’s bill seeks to address this concern by tying the repatriation tax amnesty to the purchase of bonds of a new infrastructure bank. Corporations could be allowed to bring back up to $6 at a zero tax rate for every $1 in bonds purchased; the exact ratio would be determined by an auction. The bidding process in this bill would open the door for gaming and collusion, especially given that seven of the 11-member board of directors would come from the companies repatriating the most money. As Citizens for Tax Justice explains, this means that the most aggressive corporate tax dodgers would effectively control the infrastructure bank. That is hardly the way to ensure that these taxpayer-subsidized investments address our most pressing infrastructure needs and create good jobs.

Another repatriation tax amnesty would encourage corporations to be even more aggressive in moving jobs and profits offshore, losing revenue and adding to the deficit. If Congress repeats the
2004 tax amnesty, multinational corporations will quite rightfully expect that another holiday will be enacted in a few years. They will have enormous incentive to engage in ever more aggressive tax schemes that move their profits to foreign jurisdictions, usually tax havens. In fact, the 20 companies who repatriated the most earnings under the 2004 holiday are already anticipating the next holiday – they now have three times as much in foreign profits parked offshore as they did at the end of 2005, according to the Senate Permanent Subcommittee on Investigations. For this reason, the Joint Committee on Taxation found that a repatriation tax amnesty would add $40 to $80 billion to the deficit, depending on the discounted tax rate.

We urge you to reject this proposal – H.R. 2084 – for a repatriation tax amnesty. The multinationals that are lobbying hard for this generous tax break offer numerous reasons why you should give it to them. But their plea is nothing more than a blatant attempt to escape their tax obligations and shift the burden onto taxpaying Americans, small businesses and domestic firms. Congress should finance infrastructure investment by closing offshore tax loopholes, not by encouraging corporations to use them.

For further information contact Frank Clemente, Campaign Manager at Americans for Tax Fairness, fclemente@americansfortaxfairness.org, or Nicole Tichon, Executive Director at the FACT Coalition, nicole@tjn-usa.org.

Sincerely,

American Federation of State, County and Municipal Employees
Alliance for a Just Society
American Federation of Government Employees
American Federation of Teachers
Americans for Tax Fairness
Campaign for America’s Future
Center for American Progress
Center for Effective Government
Citizens for Tax Justice
Coalition on Human Needs
Economic Policy Institute
Financial Accountability & Corporate Transparency (FACT) Coalition
Global Financial Integrity
Jubilee USA Network
Leadership Center for the Common Good
Leadership Conference on Civil & Human Rights
MoveOn.org
National Committee to Preserve Social Security and Medicare
National Council of La Raza
National Education Association
National People's Action
National Women's Law Center
New Rules for Global Finance
PICO National Network
Service Employees International Union
Tax Justice Network USA
United for a Fair Economy
USAction
U.S. PIRG
Working America