Replace the Sequester by Closing Corporate Tax Loopholes

December 5, 2013

Dear Representative:

As Congress debates spending priorities and the budget sequester this fall, raising revenue by closing unjustified offshore tax loopholes used by the wealthy and corporations should be at the top of every lawmaker’s list.

We write to express our strong support for the Sequester Delay and Stop Tax Haven Abuse Act, introduced by Representatives Rosa DeLauro (D-CT) and Lloyd Doggett (D-TX), and ask that you become a co-sponsor of this important legislation. It would raise $220 billion over ten years by closing numerous tax loopholes that encourage U.S. corporations to move jobs, profits and operations offshore and avoid paying their fair share of taxes.

That revenue would be used to fully replace the next two years, and a portion of the third year of the budget sequester, which has cut spending indiscriminately across the board, making no distinction between critical public priorities and wasteful spending. Meanwhile, not one offshore tax loophole has been closed to reduce the deficit. Congress is facing tough choices about our government’s budget, but these loopholes should be considered easy targets.

Passage of this legislation is critical for several reasons:

- **Corporations should pay their fair share of taxes.** Large American corporations – such as American Express, Apple, Dell, Eli Lilly, Microsoft, Nike – hold their profits in offshore tax havens because they are taxed very little or not at all. The cost to taxpayers of offshore tax-avoidance by corporations is estimated to be nearly $100 billion a year, according to academic experts. All told, U.S. companies have almost $2 trillion in profits offshore, much of it in tax havens where they conduct no real business, but have set up a shell company that is often nothing more than a P.O. Box. In fact, 18,857 corporate entities are registered at one modest five-story building in the Cayman Islands.

- **By closing some of the most egregious offshore tax loopholes,** the bill would save taxpayers $220 billion – enough to replace the next round of budget sequester cuts, invest in America and improve our nation’s finances. The Congressional Budget Office estimates we will lose another 800,000 jobs in 2014 due to the $110 billion in new cuts to benefits and services under the sequester. Our economy – and our families – cannot afford that.

- **America should stop giving corporations tax subsidies to export jobs.** Multinational corporations are currently allowed to indefinitely “defer” paying U.S. taxes on their foreign profits, and this tax loophole acts as a powerful incentive to shift profits and jobs overseas. The DeLauro-Doggett bill does not go so far as to repeal the tax deferral loophole,
as would a bill introduced by Sen. Sanders (S. 250) that would raise $583 billion over the next decade. However, enactment of the bill would be an important step in limiting incentives for multinational corporations to shift jobs and profits offshore.

- **We need to level the playing field between big corporations and small businesses.** Tax-haven abuse by large multinational corporations puts small businesses – and even large domestic firms – at a competitive disadvantage in the marketplace. Along with individual taxpayers, they must shoulder the additional tax bill or face a reduction in public services that they depend on. The average small business would pay an extra $3,000 a year to cover the cost of offshore tax dodging by large corporations, according to a [U.S. PIRG report](https://www.uspirg.org/). Middle class workers and small businesses that play by the rules and take responsibility for paying their fair share should not have to subsidize companies like Apple and Nike.

Fortunately, the **Sequester Delay and Stop Tax Haven Abuse Act** would close many of the tax avoidance loopholes commonly used by some of America’s largest and most profitable companies. For example:

- Apple made profits of $74 billion from 2009-2012 on worldwide sales (excluding the Americas) and **paid virtually nothing in taxes to any country**, according to the U.S. Senate Permanent Subcommittee on Investigations (PSI). The sales were attributed to Irish subsidiaries, where the companies paid a tax rate of less than 1%.
- Microsoft avoided paying at least **$6.5 billion in U.S. taxes from 2009 to 2011 using offshore tax loopholes**, according to the U.S. Senate PSI.
- Hewlett-Packard **essentially funded its operations for four years, tax-free**, by using two offshore subsidiaries—in Belgium and the Cayman Islands—that made alternating short-term loans of billions of dollars to the parent company, according to the U.S. Senate PSI.
- **Nike has $6.7 billion in profits “permanently reinvested” in shell companies overseas, on which it has paid zero U.S. income taxes** and paid practically no foreign tax as well, according to the nonpartisan research organization Citizens for Tax Justice.

A [recent poll by Hart Research](https://www.hartresearch.com/) shows that the American public strongly supports the goals of the **Sequester Delay and Stop Tax Haven Abuse Act**. By 50% to 34%, voters said they want to “Cancel the [sequester] spending cuts and replace them with new tax revenue from the wealthy and corporations,” rather than “Allow the full spending cuts to take effect.” And by 62% to 36%, voters want to “Close loopholes that allow corporations and wealthy individuals to avoid paying U.S. taxes by shifting income to offshore tax havens.”

Cracking down on offshore tax abuses should be at the top of the congressional “to do” list. Congress should close these loopholes regardless of the nation’s fiscal health, but with another year of indiscriminate across-the-board cuts looming, it is imperative that lawmakers act now. Please stand with us by co-sponsoring the **Sequester Delay and Stop Tax Haven Abuse Act** to ensure that corporations begin to pay their fair share of taxes.

Sincerely,
9to5
AFL-CIO
AFL-CIO, Department for Professional Employees
AIDS United
Alliance for a Just Society
Americans for Tax Fairness
American Federation of State, County and Municipal Employees
American Federation of Teachers
American Sustainable Business Council
Americans for Democratic Action
Campaign for Community Change
Center for Biological Diversity
Center for Effective Government
Citizens for Tax Justice
Coalition on Human Needs
Community Action Partnership
Early Childhood Policy Research
Economic Policy Institute
EG Justice
FACT Coalition
Fair Share
Global Financial Integrity
Jubilee USA Network
Main Street Alliance
National Committee to Preserve Social Security and Medicare
National Council of Jewish Women
National Disability Rights Network
National Education Association
National Low Income Housing Coalition
National Organization for Women
National Treasury Employees Union
Peace Action
Progressive Asset Management
Progressive Democrats of America
ProgressNow
Public Citizen
Rebuild the Dream
Service Employees International Union
Tax Justice Network USA
U.S. Labor Against the War (USLAW)
U.S. Public Interest Research Group
Wealth for Common Good
Working America