



KEY FACTS ABOUT TAX HAVENS & CORPORATE TAX REFORM

Tax Havens and Offshore Profits

- U.S. multinational corporations are holding \$1.9 trillion in profits offshore, out of reach of taxation by the U.S. government. ([Bloomberg News, March 8, 2013](#))
- The U.S. government loses about \$100 billion a year in tax-avoidance schemes involving tax havens in places like the Cayman Islands ([U.S. Senate Permanent Subcommittee on Investigations, July 17, 2008](#)).
- The revenue lost through offshore tax havens used by wealthy individuals and corporations cost the average American taxpayer \$1,000 and the average small business \$3,000 in 2012. ([U.S. Public Interest Research Group, April 4, 2013](#))
- The U.S. could raise \$590 billion over 10 years – 60% of the \$1 trillion in across-the-board spending cuts known as the sequester – if it closed overseas corporate tax loopholes, including “deferral,” whereby large companies with profits in other countries do not have to pay U.S. taxes on those profits until they are brought back to America. ([Congressional Joint Committee on Taxation, 2013](#))
- 18 companies that reported \$283 billion in profits offshore in 2012, most of which appear to be in tax havens, owed about \$92 billion in U.S. taxes. ([Citizens for Tax Justice, June 2, 2013](#))
- Apple made profits of \$74 billion from 2009-2012 on worldwide sales (excluding the Americas) and paid virtually *nothing* in taxes to any country. The sales were attributed to Irish subsidiaries, where the companies paid a tax rate of less than 1%. ([U.S. Senate Permanent Subcommittee on Investigations, Apple Exhibit 1A, May 2013, p. 4](#))
- 83 of the top 100 publicly traded companies have subsidiaries in offshore tax havens. ([Government Accountability Office, Dec. 2008, p. 4](#)).
- American companies reported earning 43% of overseas profits in five countries considered tax havens (Bermuda, Ireland, Luxembourg, the Netherlands and Switzerland), while hiring 4% of their foreign workforce and making 7% of their foreign investments in those economies. ([Congressional Research Service, Jan. 18, 2013, pp. 4-5](#)).
- The Uglund House, located in the Cayman Islands – a well-known tax haven – is home to 18,857 corporate entities. ([Government Accountability Office, July 2008](#))

Repatriation Tax Holiday – Temporary Tax Amnesty

- Claiming they want to create more U.S. jobs, corporations are advocating for another tax holiday to avoid taxes on overseas profits being repatriated back to the United States. In 2004, the same promises were made when the tax rate was temporarily set at 5.25% (far below the statutory rate of 35%), but 92% of the funds were used to enrich

shareholders through stock repurchases and dividends. ([National Bureau of Economic Research, June 2009, p. 19](#))

- In the 2004 repatriation, \$312 billion in offshore profits were returned to the United States with just 15 companies bringing back 52% of them. Those companies reduced their workforce by a total of 21,000 jobs after the repatriation holiday. ([U.S. Senate Permanent Subcommittee on Investigations, Oct. 11, 2011, pp. 4 and 8](#))
- A repatriation tax amnesty would add \$40 billion to \$80 billion to the deficit, depending on the discounted tax rate. ([Joint Committee on Taxation, April 15, 2011](#)).

Territorial Tax System – Permanent Tax Amnesty

- If the U.S. shifts to a territorial tax system multinational corporations will have even more incentives to shift profits and jobs overseas because the profits they “book” in a foreign country will be taxed at that country’s tax rate, which can often be a low tax rate or no tax. No U.S. tax will be applied, as is currently done, essentially making the world a giant tax haven.
- It is estimated that such a system would encourage U.S. corporations to create at least 800,000 jobs in low-tax countries rather than here at home. ([Tax Notes, Sept. 13, 2012, p. 2](#))
- A territorial tax system would also increase the deficit by \$130 billion over 10 years. ([President’s Economic Recovery Advisory Board, August 2010, p. 90](#))

Public Opinion from Hart Research Associates, January 2013

- 78% of voters believe that making sure big corporations pay their fair share of taxes is an important budget goal (55% extremely important), and 80% say the same about closing tax loopholes that benefit big corporations. ([Question 7a](#))
- By a 73%-25% margin, voters approved of closing loopholes that allow corporations and wealthy individuals to avoid paying U.S. taxes by shifting income to overseas tax havens. ([Question 12](#))
- By a 73%-20% margin, voters disapproved of allowing corporations to not pay any U.S. taxes on profits that they earn in foreign countries – essentially rejecting the basis of a “territorial tax” system. ([Question 12](#))