May 20, 2014

The Honorable Carl Levin
Chairman, Senate Homeland Security & Governmental Affairs
Permanent Subcommittee on Investigations
Washington, D.C. 20510

Dear Senator Levin:

I am writing on behalf of the 400 organizations that belong to Americans for Tax Fairness in support of your legislation, the Stop Corporate Inversions Act of 2014, which would discourage U.S. corporations from acquiring smaller foreign corporations in order to avoid paying their fair share of taxes.

One of the more egregious forms of tax dodging occurs when multinationals attempt to purchase a foreign company in order to shift their corporate headquarters on paper to a low-tax (or no-tax) jurisdiction to avoid paying U.S. corporate income taxes. Pfizer has attempted to undertake one of these so-called “tax inversions,” which would allow it to “renounce its U.S. citizenship” by purchasing AstraZeneca based in the United Kingdom. Industry analysts estimate this could cost taxpayers at least $1 billion a year in lost tax revenue.

Similarly, Walgreen’s, the equivalent of America’s drugstore with 8,200 locations in all 50 states, may soon renounce its U.S. citizenship by moving its headquarters from Illinois to Switzerland, a tax haven. Industry analysts estimate that an inversion could bring Walgreen’s global tax rate down to around 17%, far below its current tax rate of more than 30%.

These inversions do not change anything about how the business is conducted or where it is managed – they are simply a way to avoid paying their fair share of taxes to the American people. Thankfully, your legislation would stop many of these schemes.

There is an epidemic of corporate tax avoidance by U.S. companies, and the increasing number of tax inversions is one among many loopholes that companies employ. The Joint Economic Committee estimated that $17 billion would be raised over 10 years by closing this loophole, as proposed by President Obama. Your legislation would likely generate even more over that time period, as it would establish stricter standards for a company trying to shift its headquarters offshore to avoid taxes.
Today, too many American corporations are showing no allegiance to our country, despite the many advantages this productive economy has provided to them – robust patent and other legal protections, billions in federal contracts and sales, a huge consumer market, an educated workforce that makes their companies successful, and a public infrastructure that moves their goods to market.

Our tax system is already full of loopholes that provide enormous opportunities for corporations to shift profits and jobs offshore to dodge taxes and that undermine our economy. It’s time to reverse this trend and your legislation would begin that process. Thanks so much for your leadership on this important matter.

Sincerely,

Frank Clemente
Executive Director