



July 18, 2014

Sen. Ron Wyden, Chairman
Senator Orrin Hatch, Ranking Member
Senate Finance Committee
219 Dirksen Senate Office Building
Washington D.C. 20150

Dear Chairman Wyden and Ranking Member Hatch:

On behalf of Americans for Tax Fairness' [425 national and state organization members](#), I am writing to ask that you quickly pass legislation that would stop U.S. corporations from inverting and claiming to be foreign companies unless they can meet the conditions outlined in the Stop Corporate Inversions Act ([S. 2360](#)), legislation sponsored by Sen. Carl Levin and 21 other senators.

This is an urgent matter. More than [75 companies have abandoned American through an inversion since 1983](#), and at least 12 more are in the works. The Joint Committee on Taxation estimates that such defections could cost [\\$20 billion over the next ten years](#). But the damage could be far in excess of that given the recent stampede to invert, and the annual tax avoidance estimates for various companies that have been reported in the financial press.

Companies that invert are not actually leaving America; they are simply changing their corporate address. The companies dissolve their U.S. corporate status and incorporate abroad by buying a foreign firm; but the buyer becomes a subsidiary of the foreign firm. The new parent firm is usually located in a country with a much lower tax rate or that has tax loopholes that facilitate even more tax avoidance than occurs under the U.S. tax system. This is often a tax haven. The point of an inversion is primarily to increase profits by dodging U.S. taxes. It's all perfectly legal unless Congress acts to stop it.

Within a couple of weeks Walgreens, the giant retail pharmacy chain with 8,200 stores and locations in every state, will decide whether or not it will remain an American corporation. If it renounces its U.S. corporate status, it will be the first large retailer and the most visible U.S. company to ever do so. It will dodge an estimated \$4 billion in U.S. taxes over the next five years, according to a recent [Americans for Tax Fairness report](#).

As with all inversions, the U.S. government will take on more debt; American taxpayers, including small businesses and domestic firms, will end up paying more; or American families will get fewer services and benefits they have paid for.

Companies that invert continue to take advantage of the things that make the United States the best place in the world to do business – an educated workforce; a legal system to protect their investments and patents; federal research and government purchases of their products; protection by the strongest military in the world; use of public transportation systems to get products to market; flush financial markets; and access to millions of consumers.

Some argue that legislation to clamp down on tax inversions should be part of a broader tax reform package. But given the differences between both parties, both chambers and within the business community itself, it is unlikely that major tax reform will take place before the next Congress, and perhaps later than that.

There are diverse views on what a corporate tax overhaul should look like, and it will clearly take time for a compromise to be reached. No matter what position one adheres to with respect to larger reform, it seems that an area of agreement could be to halt corporate inversions – at least in the interim. As Senator Grassley has said, “[These expatriations aren’t illegal. But they’re sure immoral.](#)”

Our additional views on corporate inversions are spelled out in this [fact sheet](#). Thank you for considering our position.

Sincerely,



Frank Clemente
Executive Director
Americans for Tax Fairness