



Proposals to Curb Inversions and Corporate Tax Loopholes

There have been a number of proposals to reduce various incentives to invert and refine the definitions of inversion and foreign and domestic entities. The FACT Coalition maintains that companies should not be able to dodge their taxes by using financial trickery to pretend they are foreign while remaining operations in the U.S.

1. *Strongest & Best Legislation:* The “Stop Corporate Inversions Act” prevents U.S. corporations from pretending to be foreign. The “Stop Tax Haven Abuse Act” tackles the larger problem of corporate tax avoidance.
2. *Second Best Alternatives Until Stop Corporate Inversions Act (S. 2360) is Enacted:* These proposals only apply to inverted companies as defined in S. 2360, which are companies with less than 50% foreign ownership, and therefore have no effect if S. 2360 is enacted (Stop Corporate Inversions Act would encompass their benefits). They are important pieces to the conversation, but are not as effective on their own.
3. *Complementing Proposals to S. 2360:* These would remove the tax benefits of inversions for any companies that slip through the cracks of the Stop Corporate inversions Act.

Strongest & Best Legislation to Stop Inversion and Close Corporate Tax Loopholes

Proposal	Sponsors	Purpose
Stop Corporate Inversions Act (S. 2360, H.R. 4679)	Sen. Levin, Rep. Levin	Taxes foreign entities as domestic corporations when companies invert for tax purposes. It affects merged U.S.-foreign companies with over 50% (up from 20%) owned by former U.S. shareholders or managed in the U.S.
Stop Tax Haven Abuse Act (S. 1533, H.R. 1554)	Sen. Levin, Rep. Doggett	Raises \$220 billion over ten years by closing the most egregious tax loopholes that U.S. corporations to move jobs, profits, and operations offshore and avoid paying their U.S. taxes.

Second Best Alternatives Until “Stop Corporate Inversions Act” is Enacted

Proposal	Sponsors	Purpose
Corporate Inverters Earnings Stripping Reform Act (S. 2786)	Sen. Schumer	Limits deductible interest to 25% of adjusted taxable income (down from 50%); eliminates rule that waives that limit if the corporation’s debt does not exceed 150% of its equity. Changes carry forward rules. Does not include management and control provision.
Pay What You Owe Before You Go Act (S. 2895, H.R. 5549)	Sen. Brown, Rep. Doggett	Subjects accumulated offshore profits to U.S. tax as if they had been repatriated – applies to inverted companies with less than 50% ownership.
The Treasury Department Ruling (Already enacted)	n/a	Prevents companies from avoiding the ownership threshold (currently 80%) via passive income; prevents inverted companies from completing “hopscotch” loans, “de-controlling”, and transfer of cash to access foreign subsidiary earnings tax-free.
No Federal Contracts for Corporate Deserters Act (S. 2704, H.R. 5278)	Sen. Levin, Rep. DeLauro	Bars inverted companies with less than 50% foreign ownership from receiving federal contracts.
Anti-Inversion Rule for Tax Extenders	Not yet introduced	Bars inverted corporations from benefitting from any provision in the tax extenders.
DOD Appropriations Language	Sen. Durbin	Bars inverted companies with less than 50% foreign ownership from receiving federal contracts.



Proposals That Complement the “Stop Corporate Inversions Act”

Proposal	Sponsors	Purpose
Corporate Fair Share Act (H.R. 5444)	Rep. Pocan	Limits the deductions a corporation may claim to a level at which the U.S. entity’s share of interest on debt is proportionate to the U.S. entity’s share of earnings. Language is straight from the President’s budget proposal on earnings stripping.
Rep. Levin’s Discussion Draft	Rep. Levin (Not yet introduced)	Limits deductible interest to 25% of adjusted taxable income (down from 50%); eliminates rule that waives that limit if the corporation’s debt does not exceed 150% of its equity. Changes carry forward rules. Prevents inverted companies from completing “hopscotch” loans and “de-controlling” to access foreign subsidiary earnings tax-free.
Pay What You Owe Before You Go Proposal (all-inclusive)	Not yet introduced	Subjects accumulated offshore profits to U.S. tax as if they had been repatriated to ALL corporations that become foreign, rather than just inverted companies as defined by the “Stop Corporate Inversions Act.”