

The Honorable Chuck Schumer
Majority Leader
United States Senate
Washington, D.C. 20515

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
Washington, D.C. 20515

The Honorable Ron Wyden
Chairman
Finance Committee
United States Senate
Washington, D.C. 20515

The Honorable Richard Neal
Chairman
Ways & Means Committee
United States House of Representatives
Washington, D.C. 20515

October 19, 2021

RE: Promoting US competitiveness in Build Back Better plan

Dear Majority Leader Schumer, Speaker Pelosi, Chairman Wyden, and Chairman Neal:

As you finalize the Build Back Better legislation, we urge you to seize this unique opportunity to remove tax incentives that encourage offshoring of jobs and shifting of profits to tax havens in order to level the playing field between small businesses and multinational corporations.

The undersigned organizations include public interest groups as well as labor unions representing millions of American workers and business associations representing hundreds of thousands of American businesses.

We strongly support an ambitious Build Back Better investment plan. While each of our organizations may have different investment priorities, we join forces in urging you to ensure that the final bill strikes the right balance between international and domestic corporate taxation to fund the plan.

Specifically, the priority should be to reduce the gap between the foreign and domestic tax rates, by reducing the GILTI deduction (i.e., the offshore tax break) from the current 50% to at most 25%, as requested by President Biden (ideally it would be 0%). This would increase the tax rate on offshore profits, and then the domestic corporate tax rate can be adjusted to meet the revenue goal that you eventually set. We also support the other elements of the President's international tax plan.

While increasing the corporate tax rate would raise revenue, reducing the offshore tax break would do that and also:

- Reduce tax incentives to offshore American jobs and capital investment;
- Curb the shifting of profits to tax havens, thereby improving confidence in the fairness of the tax system and leveling the playing field between multinational corporations and domestic firms and small businesses, which do not have the capacity to engage in aggressive tax planning.

The historic international tax agreement facilitated by the Organization for Economic Cooperation and Development (OECD) underscores that now is the time to reform the US international tax code.

This agreement undermines US multinational corporations' claims that a higher tax rate on offshore profits – such as the 21% rate proposed by President Biden – will harm their competitiveness on global markets, as all multinationals will pay a tax rate of at least 15% in every country where they operate, and much higher in many nations we compete with. Seven in ten Americans work for domestic businesses, one in ten for foreign multinationals, and only two in ten for US multinationals. The priority should be to create a tax system that benefits American workers and domestic companies by reducing the gap between the domestic and foreign tax rates while raising substantial revenue.

A recent national opinion poll by Hart Research and ALG Research shows that equalizing tax rates on foreign profits is the most popular corporate tax reform, with 70 percent of the public in favor.¹ Democratic, Independent, and Republican voters alike favor tax reform that levels the playing field for small businesses by closing loopholes that encourage jobs outsourcing and profit shifting to tax havens by multinational corporations.

Sincerely,

AFL-CIO

American Federation of State, County and Municipal Employees (AFSCME)

Americans for Tax Fairness

American Sustainable Business Council

Communication Workers of America

FACT Coalition

Institute on Taxation and Economic Policy

Mainstreet Alliance

Network Lobby for Catholic Social Justice

Oxfam America

Public Citizen

Small Business Majority

United Automobile, Aerospace and Agricultural Implement Workers of America (UAW)

United Steelworkers

¹ Americans for Tax Fairness, "Poll shows strong desire for higher taxes on the wealthy and corporations," June 9, 2021, <https://americansfortaxfairness.org/wp-content/uploads/ALG-HART-ATF-POLL-MEMO-JUNE-2021-FINAL.pdf>.