

58 NATIONAL GROUPS SUPPORT IMMEDIATE ENACTMENT OF BIDEN'S PLAN TO CLOSE OFFSHORE TAX LOOPHOLES

September 2, 2021

Dear Member of Congress:

The undersigned organizations write with an urgent message: don't let tax-dodging multinational corporations continue to avoid paying their fair share of taxes that are needed to help working people afford healthcare, eldercare, childcare, education and housing, and to make other public investments vital to fighting climate change and supporting families and communities. Essential international tax reforms [proposed by President Biden](#) will raise critically needed revenue and fix our broken tax system, which rewards corporations that offshore jobs and investments and shift profits to tax havens.

That system also gives multinational corporations an unfair advantage over Main Street businesses and domestic-focused corporations. Multinationals have many advantages over smaller firms that focus locally on the domestic market. These include greater market power including monopolies, much greater financial resources, and outsized political power. They should not be allowed the further advantage of lower tax bills through offshore tax dodging. A fairer tax system will pay for investments that will create local jobs and services benefiting Main Street over multinationals.

Under Biden's plan, international corporate tax reform [would raise about \\$1 trillion](#) over 10 years, nearly one-third of the \$3.5 trillion proposed under the Senate budget resolution for vital domestic investments.

American corporations [dodge an estimated \\$60 billion a year](#) in U.S. taxes through shifting profits offshore. [Sixty percent of U.S. multinationals' offshore profits](#) are attributed to just seven low-tax countries that make up less than 4% of global GDP, indicating that these profits do not represent meaningful investments in tax-havens so much as shirking tax responsibility in the U.S. Partly as a result of offshore tax dodging, in 2018 over 1,500 U.S.-based multinational corporations paid an [average U.S. tax rate of just 7.8%](#). (An average [American household pays about 14%](#) annually.) Last year, 55 huge profitable corporations—including many familiar names with substantial offshore operations, such as FedEx, Nike and Salesforce.com—[paid zero U.S. federal income taxes](#).

Every tax dollar not raised from multinational corporations [is a dollar taken away from](#) Biden's Build Back Better agenda and the budget resolution that passed both chambers, which would make healthcare, childcare, eldercare and housing more affordable; expand Medicare coverage to include dental, hearing and vision care; provide tax credits that lift 40% of children out of poverty; provide universal pre-K education for toddlers and free public community college for students; fight the climate change imperiling our planet [and our global economy](#); and [improve the global competitiveness of the United States](#) as a destination for investment.

Strong international tax reforms would end perverse incentives for multinational corporations created by the Trump-GOP tax law to offshore profits and jobs.

The 2017 law failed to end offshore corporate tax abuse, and even [created new incentives](#) for big firms to turn their back on U.S. workers and taxpayers. Under the Global Intangible Low-Taxed Income (GILTI) regime created by the law, the foreign profits of American multinational corporations are effectively taxed by the U.S. at *half* the domestic corporate rate—10.5% rather than the current 21%—and the first 10% return on foreign investments is entirely U.S.-tax-free. Under a second provision, the [Foreign Derived Intangible Income](#) (FDII) rule, U.S. multinationals that do not invest inside the country are rewarded with [massive tax breaks](#) compared to those corporations that do. Finally, the [Base Erosion and Anti-Abuse Tax](#) (BEAT) has failed to adequately curb the shifting of profits to offshore tax havens.

Biden’s proposed reforms would improve GILTI by raising the offshore tax rate to 21% so it would be three-fourths of his proposed 28% domestic rate; scrapping FDII altogether; and replacing the BEAT with the more effective [“Stopping Harmful Inversions and Ending Low-Tax Developments” \(SHIELD\) plan](#).

Even if Biden’s proposed international reforms are enacted, the biggest U.S. corporations will still pay lower tax rates than their international competitors—highlighting the false claims that such reforms will hurt U.S. competitiveness.

A recent non-partisan study by Reuters found that 52 of the biggest [U.S.-based multinationals paid a lower effective tax rate](#) (16%) than 200 of their self-identified foreign competitors paid (24%). More importantly, even after Biden’s proposed hikes to the statutory domestic and offshore rates, those American firms *would still pay a lower effective rate* (21%). And importantly, U.S. corporations will maintain tax competitiveness with our top ten trading partners after these reforms, maintaining the incentive to keep corporate headquarters here. These and other similar statistics disprove the phony argument that Biden’s reforms would make the U.S. corporate tax regime (and U.S. markets) uncompetitive with those of other nations.

U.S. corporate tax reform should not wait for, be dependent on, or be limited by international reforms.

The [Biden administration is right to lead efforts](#) to end a destructive worldwide [“race to the bottom” on corporate tax rates](#) that over the past few decades has swelled the profits of multinational corporations while depriving national governments of needed public revenue. But we should not await the final outcome of those negotiations or feel limited to the reforms that result. The world follows the U.S.’s lead on international tax; adopting the Biden plan will strengthen the hand of Secretary Yellen in seeking a global minimum tax rate that is higher than the 15% currently proposed, which is also supported by our major international allies like France, Germany, and Japan. Moreover, the U.S. Congress is the expert on our national taxation needs and capabilities, not the OECD. We need more public revenue now from America’s undertaxed corporations, many of which dodge paying their fair share through offshore abuses. Reform of our national laws on the taxation of foreign corporate commerce should serve as a robust example for international reforms, not be constrained by them.

A [15% worldwide minimum corporate tax rate](#) proposed by the OECD is a floor for tax havens, not a realistic model for the U.S. or any other global economic power.

A global minimum tax will serve to help eliminate [international tax havens](#) by raising the token or non-existent corporate tax rates charged by tiny nations like Bermuda, the Cayman Islands and Luxembourg. As noted above, U.S. corporations’ competitors among large-market, advanced-economy countries pay higher tax rates than ours, and will continue to do so even after the Biden reforms.

America is a premier place to do business, thanks to its huge market, stable currency, predictable laws, highly productive workers and other qualities of the world’s leading nation—our tax code should stop rewarding corporations that take their business elsewhere. Enactment of strong international tax reforms will increase the competitiveness of the U.S. as a destination for investment, while funding a healthier, better-educated workforce and a stronger, more economically secure population.

Like most proposals to more fairly tax the wealthy and big corporations, curbing offshore tax avoidance by multinationals is highly popular with the public.

Over two-thirds (70%) of respondents [in a recent national poll](#) supported raising the U.S. tax rate on the foreign profits of American firms from 10.5% to 28% to match Biden’s proposed tax rate on domestic

profits. Of course, Biden is only proposing to narrow the difference between foreign and domestic rate, not eliminate it; but closing international loopholes will have the same effect of raising more revenue from the offshore earnings of U.S. corporations. In another recent poll, [70% of respondents support setting a 15% global minimum tax on corporations](#), including 72% of Independents and 56% of Republicans.

In this historic moment, we urge you to stand with American workers and raise up to \$1 trillion in new revenue from multinational corporate tax reform and dedicate it to strengthening our economy, communities and families.

Sincerely,

AFL-CIO
AfricaFocus Bulletin
Alliance for a Just Society
American Family Voices
American Federation of Government Employees
American Federation of State, County and Municipal Employees (AFSCME)
American Federation of Teachers
Americans for Democratic Action
Americans for Tax Fairness
Campaign for America's Future
Center for American Progress
Center for New Revenue
Center for Popular Democracy
Climate Hawks Vote
Coalition on Human Needs
Communications Workers of America (CWA)
Community Change Action
Congregation of Our Lady of Charity of the Good Shepherd, U.S. Provinces
Economic Policy Institute
Economic Security Project Action
Faith in Public Life Action
Financial Accountability and Corporate Transparency (FACT) Coalition
For Our Future
Friends of Angola
Friends Committee on National Legislation
Groundwork Action
Healthcare for America Now
Indivisible
Institute for Policy Studies - Inequality Program
Institute on Taxation and Economic Policy
International Association of Machinists and Aerospace Workers (IAMAW)
International Brotherhood of Teamsters
International Federation of Professional and Technical Engineers (IFPTE)
The International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW)
Jobs With Justice

Main Street Alliance
MoveOn
National Advocacy Center of the Sisters of the Good Shepherd
National Council of Churches of Christ in the USA (NCC)
National Education Association
National Employment Law Project
National Latino Farmers & Ranchers Trade Association
NETWORK Lobby for Catholic Social Justice
Our Revolution
Oxfam America
Patriotic Millionaires
People's Action
Public Citizen
RESULTS
RootsAction.org
Service Employees International Union
Small Business Majority
Take On Wall Street
Tax March
United Steelworkers (USW)
Voices for Progress
Women's March
Working America