



FACTCOALITION

Financial Accountability & Corporate Transparency

February 7, 2017

Member of Congress
U.S. House of Representatives
Washington, DC 20515

RE: Oppose Rep. Delaney's Partnership to Build America Act Tax Giveaway

Dear Representative:

We are writing to you on behalf of the Financial Accountability and Corporate Transparency Coalition (FACT Coalition) to urge you to oppose the "Partnership to Build America Act"¹, or similar successor bill, which calls for a "repatriation tax holiday" allowing U.S. multinational corporations to pay no tax on the profits that they've booked offshore if a fraction of the money is used to buy bonds in an infrastructure bank.

The FACT Coalition is a non-partisan alliance of more than 100 state, national, and international organizations working toward a fair tax system that addresses the challenges of a global economy and promotes policies to combat the harmful impacts of corrupt financial practices.²

The Delaney bill offers a costly and unwarranted tax amnesty to some of the most profitable corporations in America. It would permit a small number of multinational corporations — who have used tax loopholes unavailable to working Americans and small businesses — to escape their obligations to society, thereby requiring domestic corporations, small businesses, and average taxpayers to pick up the tab.

Under this proposal, multinational corporations would be allowed to bring back up to \$6 at a zero percent tax rate for every \$1 in bonds purchased, with the exact ratio to be determined by an auction. The proposed bidding process would open the door to gaming and collusion. The bonds would further reward tax-dodging multinationals by paying them interest. Contrary to proponents' claims, the bonds would not offer a cost-free way to capitalize an infrastructure bank. The bill instead offers multinationals a tax cut worth up to \$105 billion to capitalize a \$50 billion bank.

While an infrastructure bank capitalized through traditional government expenditures could help finance needed infrastructure investment, an infrastructure bank capitalized in the manner set out in the bill would, over time, undermine our ability to make public investments by further incentivizing aggressive offshore tax avoidance. Worse, if the bill mirrors the last proposal and permits seven of the 11 members of the infrastructure bank's board of directors to come from the companies repatriating the most money, the bill may hand over control of the investment bank to those who have already shown their willingness to put their own self-interest ahead of the vast majority of taxpayers. This bill

¹ See H.R.413, 114th Congress.

² For a full list of FACT members, see: <https://thefactcoalition.org/about/coalition-members-and-supporters/>

would not solve a problem; it would make current problems worse.

The tax amnesty would also reward those who have most-abused corporate tax loopholes — shifting profits on paper to offshore subsidiaries in tax havens where they pay little or no tax. Many of these offshore subsidiaries have few, if any, employees and no meaningful operations or physical presence beyond a post office box. In addition, it would favor a very narrow corporate sector. Because so few U.S. corporations keep substantial funds offshore, when Congress last offered a tax holiday in 2004, just .015 percent of U.S. companies took advantage of it, with 15 large companies accounting for half of the offshore cash repatriated, according to the Senate Permanent Subcommittee on Investigations (PSI).³

History has shown that this type of tax amnesty scheme will not create U.S. jobs or spur additional investment. The 2004 repatriation holiday was justified on those grounds, but proved to be a failure. Many of the companies that benefitted most actually reduced the number of their U.S. employees over the following two-year period, and there were no investments in production capacity or research and development, according to the Senate PSI.⁴ Instead, a study by the National Bureau of Economic Research found that 92 percent of the cash that was repatriated paid for dividends, stock buybacks, or executive bonuses — funds that primarily benefited corporate executives and fueled income inequality.⁵ The bill pretends to mitigate some of the likely damage to the U.S. Treasury by tying a fraction of the repatriated dollars to the purchase of bonds in the new infrastructure bank. However, the bill also proposes to pay interest on those bonds, while the remainder of the profits will be repatriated tax-free with no expected benefits to the economy from this giveaway to a small number of the best-connected and most-profitable companies.

If the same multinationals were simply required to pay the tax they already owe on their offshore profits, they would contribute as much as \$700 billion in taxpayer revenues — enough to pay for a robust infrastructure program without the debt represented by interest-paying bonds and without turning over an infrastructure bank to the very companies whose tax dodging has made federal investment so difficult.

Instituting another tax amnesty instead — as this proposal does — would simply encourage corporations to be even more aggressive in moving jobs and profits offshore in anticipation of a future tax amnesty, losing even more taxpayer revenue and adding to the deficit. In fact, the 20 companies that repatriated the most earnings under the 2004 holiday are among those that have most aggressively moved profits offshore in anticipation of the next holiday. Fortune 500 companies now have over \$2.5 trillion parked in offshore bank accounts — more than double the amount held offshore in 2009.⁶

³ Permanent Subcommittee on Investigations. “*Repatriating Offshore Funds: 2004 Tax Windfall for Select Multinationals.*” Washington, DC: U.S. Senate Committee on Homeland Security and Governmental Affairs, October 2011 (available at http://www.hsgac.senate.gov/download/report-psi-majority-staff-report_-repatriating-offshore-funds-oct-2011).

⁴ Ibid

⁵ Ibid

⁶ Phillips, Richard, Matt Gardner, Kayla Kitson, Alexandria Robins, and Michelle Surka. “Offshore Shell Games 2016: The Use of Offshore Tax Havens by Fortune 500 Companies.” Washington, DC: *Citizens for Tax Justice, Institute on Taxation and Economic Policy, and U.S. PIRG Education Fund*, October 2016 (accessible at <http://ctj.org/pdf/offshoreshellgames2016.pdf>).

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In 2015, the Joint Committee on Taxation estimated that a tax amnesty program would add \$118 billion to the deficit.⁷ That cost has only grown since then, as untaxed profits booked offshore have continued to climb.

Again, we urge you to reject Rep. Delaney's Partnership to Build America Act, or any similar successor bill. The bill would enable highly profitable, multinational corporations to escape their tax obligations and gain access to interest-paying bonds, while shifting more of the tax burden onto working Americans, small businesses, and wholly domestic firms.

A better approach would be to close the loopholes that now enable corporations to indefinitely defer paying the taxes they owe and encourage the offshoring of corporate profits, operations, and jobs.⁸ Ending deferral alone could generate over a trillion dollars in revenues that could pay for infrastructure without giving multinational corporations an unwarranted tax amnesty or interest-generating bonds.⁹

Thank you for your consideration. For more information, please contact Clark Gascoigne at cgascoigne@thefactcoalition.org.

Sincerely,



Gary Kalman
Executive Director
The FACT Coalition



Clark Gascoigne
Deputy Executive Director
The FACT Coalition

⁷ Joint Committee on Taxation, Estimated Revenue Efforts of a Proposal by Senator Rand Paul and Senator Barbara Boxer for a Temporary Reduced Rate on Certain Dividend Repatriations from Foreign Subsidiaries of U.S. Corporations (accessible at <https://www.jct.gov/publications.html?func=startdown&id=4797>)

⁸ See, for example: The FACT Coalition. "Briefing Memo: Tax Reform – Important Steps to Fix the Gaming of the Corporate Tax System." Washington, DC: January 2017 (accessible at <https://thefactcoalition.org/briefing-memo-tax-reform/>).

⁹ Americans for Tax Fairness and the Economic Policy Institute, "Corporate Tax Chartbook: How Corporations Rig the Rules to Dodge the Taxes They Owe," (accessible at <http://americansfortaxfairness.org/corporate-tax-chartbook-how-corporations-rig-the-rules-to-dodge-the-taxes-they-owe/>)

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Coalition Members and Supporters

Organizational Members

National/International

ActionAid USA
Americans for Democratic Action
American Federation of Labor – Congress of Industrial Organizations (AFL-CIO)
American Federation of State, County and Municipal Employees (AFSCME)
American Sustainable Business Council
Campaign for America’s Future
Citizens for Responsibility and Ethics in Washington (CREW)
Citizens for Tax Justice
EarthRights International
EG Justice
Enough Project
Fair Share
Fair Share Education Fund
Financial Transparency Coalition
Friends of the Earth U.S.
Global Financial Integrity
Global Witness
Government Accountability Project
Institute for Policy Studies – Program on Inequality and the Common Good
Institute on Taxation and Economic Policy
JPIC Ministry – Missionary Oblates
Jubilee USA Network
Leadership Conference of Women Religious
The Main Street Alliance
National Priorities Project
New Rules for Global Finance
OpenTheGovernment.org
Oxfam America
Pacific Environment
Polaris
Project On Government Oversight (POGO)
Public Citizen
Sargent Shriver National Center on Poverty Law
Service Employees International Union (SEIU)
Small Business Majority
Tax Justice Network USA
U.S. Public Interest Research Group (PIRG)
U.S. Public Interest Research Group (PIRG) Education Fund
U.S. UNCUT

State/Local

Arizona

Arizona Fair Share
Arizona Public Interest Research Group

California

California Fair Share
California/Venezuela Region – Religious Sisters of Charity
California Public Interest Research Group
Jubilee Bay Area
Main Street Alliance of California

Colorado

Colorado Fair Share
Colorado Main Street Alliance
Colorado Public Interest Research Group

Connecticut

Connecticut Fair Share
Connecticut Public Interest Research Group

Delaware

Delaware Americans for Democratic Action (Delaware ADA)

Florida

Florida Fair Share
Florida Public Interest Research Group
Main Street Alliance of Florida

Georgia

Georgia Fair Share
Georgia Public Interest Research Group

Idaho

Idaho Main Street Alliance

Illinois

Citizen Action / Illinois Illinois Fair Share
Illinois Public Interest Research Group

Iowa

Iowa Citizen Action Network
Iowa Citizens for Community Improvement

Iowa Fair Share
Iowa Farmers Union
Iowa Main Street Alliance
Move to Amend – Iowa Chapter

Kentucky

Kentucky Fair Share

Minnesota

Main Street Alliance of Minnesota
Minnesota Fair Share

Maine

Maine Small Business Coalition

Maryland

Maryland Fair Share
Maryland Public Interest Research Group

Massachusetts

Massachusetts Fair Share
Massachusetts Public Interest Research Group

Michigan

Michigan Fair Share
Michigan Public Interest Research Group

Missouri

Missouri Public Interest Research Group

Montana

Montana Fair Share
Montana Small Business Alliance

Nevada

Nevada Fair Share

New Hampshire

New Hampshire Fair Share
New Hampshire Public Interest Research Group

New Jersey

New Jersey Main Street Alliance
New Jersey Public Interest Research Group

New Mexico

New Mexico Public Interest Research Group

North Carolina

Fair Share in North Carolina
North Carolina Public Interest Research Group

North Dakota

North Dakota Fair Share

Ohio

Ohio Fair Share
Ohio Public Interest Research Group
Main Street Alliance of Ohio

Oregon

Jubilee Oregon
Main Street Alliance of Oregon
Oregon Fair Share
Oregon State Public Interest Research Group

Pennsylvania

Pennsylvania Fair Share
Pennsylvania Public Interest Research Group
SEIU Local 668, Pittsburgh, PA
UFCW Local 23, Western PA

South Carolina

South Carolina Small Business Chamber of Commerce

Texas

Texas Fair Share
Texas Public Interest Research Group

Vermont

Main Street Alliance of Vermont

Virginia

Virginia Fair Share
Main Street Alliance of Virginia

Washington (State)

Main Street Alliance of Washington
Washington Public Interest Research Group

Wisconsin

Wisconsin Fair Share
Wisconsin Public Interest Research Group

Individual Supporters

Eileen Appelbaum, Senior Economist, Center for Economic and Policy Research
Dean Baker, Co-Director, Center for Economic and Policy Research
Elise J. Bean, former Staff Director and Chief Counsel of the U.S. Senate Permanent Subcommittee on Investigations
William K. Black, Assoc. Professor, Economics & Law, University of Missouri – Kansas City
Charles Davidson, Executive Director, Kleptocracy Initiative, Hudson Institute
John Schmitt, Senior Economist, Center for Economic and Policy Research

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