July 7, 2016

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The Honorable Jacob J. Lew
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

RE: Inversions and Related Transactions (REG-135734-14; Docket ID: IRS-2016-0015-0002; Docket RIN: 1545-BM45)

Dear Secretary Lew,

On behalf of the Financial Accountability and Corporate Transparency (FACT) Coalition, I am writing to support the Department of the Treasury's proposed rule on the **Inversions and Related Transactions** (REG-135734-14). We believe that a robust implementation of this rule will help curb abusive corporate tax avoidance by limiting the ability of companies to engage in corporate inversions.

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

Corporate inversions have undermined the honesty and fairness of our tax code by allowing some companies to claim to be foreign for tax purposes, even if they are majority-owned and controlled by individuals in the United States. Treasury's proposed rule smartly targets companies which have engaged in multiple inversions because, with each new merger, these companies are able to acquire larger and larger firms without triggering the anti-inversion rules under Section 7874. By disregarding recent acquisitions or inversions, the rule will slow the momentum of companies attempting to engage in one inversion after another.

While legislation to curb inversions would be ideal, the political reality is that Congress is unlikely to act in the near term. Unfortunately, the many planned inversions—such as those by Pfizer, IHS, and Johnson Controls—show that immediate action is needed to prevent a significant erosion in the corporate tax base. In fact, analysts at Citizens for Tax Justice (CTJ)—a FACT Coalition member—estimate that, by preventing the Pfizer inversion, the proposed

Treasury rule may have already saved U.S. taxpayers as much as $40 billion in taxes that the company could have avoided on the $194 billion that it has in untaxed offshore earnings.[ii]

To be clear, these actions are not just about one company. Pfizer could just be the tip of the iceberg as other companies (like IHS and Johnson Controls) seek to imitate its tax strategy. A recent study by CTJ found that U.S. companies likely owe as much as $695 billion on the $2.4 trillion in earnings they hold offshore.[iii] Given the substantial sum owed in taxes by these companies, allowing them to avoid taxes through the use of serial inversions could have negative implications on the tax base moving forward.

The gaming of our international tax system exacerbates economic inequality; drains revenue out of both developed and developing countries; hurts legitimate businesses, families, and communities; and undermines our country's ability to govern. It is time we eliminate this egregious offshore loophole to make sure that the corporations that benefit from all of the resources, protections, and markets in the United States pay their fair share of taxes.

Thank you for your careful consideration of this matter.

Sincerely,

Gary Kalman
Executive Director
The FACT Coalition

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[i] A list of FACT Coalition members is available at http://thefactcoalition.org/about/coalition-members-and-supporters/.
[ii] Richard Phillips, "How Treasury Could Take Action to Prevent Inversions," *Citizens for Tax Justice*, March 23, 2016 (accessible at http://www.taxjusticeblog.org/archive/2016/03/how_treasury_could_take_action.php).
[iii] Jenice Robinson, "Fortune 500 Companies Hold a Record $2.4 Trillion Offshore," *Citizens for Tax Justice*, March 3, 2016 (accessible at http://ctj.org/pdf/pre0316.pdf).

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