

March 21, 2013

Dear Senator,

We write to ask **you to join as a cosponsor of the Cut Unjustified Tax Loopholes Act (S. 268)**, introduced by Senators Carl Levin (D-MI) and Sheldon Whitehouse (D-RI). This bill would close a myriad of corporate tax loopholes that serve no public purpose and would raise at least \$190 billion over ten years. **We urge the Senate leadership to include the provisions of this bill in any budget deal struck this year.** The legislation tackles offshore tax loopholes that allow and even encourage many large U.S. companies to shift U.S. jobs and profits to offshore subsidiaries. Corporations that benefit from all of the advantages of doing business here are able to use creative tax planning to avoid paying taxes on income legitimately earned in the United States.

As federal revenues from corporations hover at multi-generational lows, cracking down on offshore tax abuses should be at the top of the Congressional “to do” list. The Senate Permanent Subcommittee on Investigations has estimated the cost to taxpayers of tax-avoidance schemes involving tax havens at \$100 billion annually. New estimates put the amount of lost revenue as high as \$150 billion: \$90 billion from corporate tax avoidance and \$40-\$70 billion from individual tax evasion. Tax haven abuse is widespread: at least 83 of America’s top 100 publicly traded companies have subsidiaries in offshore tax havens, according to the GAO. Some of these subsidiaries are nothing more than P.O. boxes. In fact, 18,857 corporate ‘headquarters’ are registered at one modest five-story building in the Cayman Islands.

This is also a jobs problem. At a time when far too many Americans are facing unemployment, our tax code is rewarding U.S. corporations for moving and operating abroad rather than in the U.S. It allows corporations to immediately deduct some of their expenses for moving and operating those overseas facilities even though the companies can defer U.S. taxes on the offshore profits indefinitely. The CUT Loopholes Act would promote investments in American jobs by removing some of these incentives.

The non-partisan Congressional Research Service recently found that U.S. multinational corporations reported “profits” in offshore tax havens that far-exceeded the entire economies of those tax havens. For example, in 2008, U.S. multinational corporations’ reported profits in Bermuda and the Cayman Islands exceeded 645% and 545% of those tax havens’ GDPs, respectively. After surveying the multinational corporate profits reportedly from tax havens, that report found “these numbers clearly indicate that the profits in these countries do not appear to derive from economic activities related to productive inputs or markets, but rather reflect income easily transferred to low-tax jurisdictions.”

Here is an example of how these loopholes work. A recent investigation by the Senate Permanent Subcommittee on Investigations found that Microsoft avoided \$4.5 billion in federal income taxes over three years by using sophisticated accounting maneuvers to artificially shift its income to tax-friendly Puerto Rico. The company sold certain intellectual property rights to its Puerto Rican subsidiary. Now the parent company pays that subsidiary 47% of the revenue generated from its American sales despite the fact that its products were developed and sold in the U.S.

Businesses should compete based on the quality of the products and services they offer, not on the cleverness of their tax attorneys in exploiting loopholes like these. Tax haven abuse by large multinational corporations puts small businesses – and even large domestic businesses – at a competitive disadvantage in the marketplace. Along with individual filers, they must shoulder the extra tax burden through higher taxes, a reduction to public services, or a larger share of the federal. A 2012 U.S. PIRG report found that the average extra tax burden shifted to just one ordinary taxpayer due to tax haven abuse adds up to \$426 per year. If small businesses were to make up for the revenue lost just from the corporate abuse of tax havens, each small business in America would have to pay \$2,116. It is time for Congress and President Obama to correct this imbalance and make sure multinational corporations are contributing their share.

Offshore tax loopholes create winners and losers. The winners are multinational corporations, usually in financial services, high tech, and pharmaceutical industries. The losers are those businesses who stay here in the U.S. and those who can't afford to hire expensive tax planners and lobbyists. Those on the losing end of these loopholes include retailers, small businesses, and ordinary taxpayers, who are forced to pick up the tab for tax haven abuse.

Due to the substantial loss of revenue, governments at all levels, here and around the world, cut programs and jobs that are critical to economic recovery and growth. We are finally seeing international bodies such as the European Union, the G-20 and the Organization for Economic Cooperation and Development and government leaders from U.K. to India taking action. The United States should be leading these efforts, not following and certainly not ignoring the fact that these stateless corporations are not going to act until we eliminate these loopholes for good. Additionally, by closing these corporate tax loopholes we send a message around the globe that corporate tax avoidance is unacceptable whether it be in the developing or developed world.

As Congress looks for ways to reduce the federal deficit and debates tax reform proposals, members should start with the elimination of these loopholes, which could raise as much as \$1.5 trillion in revenue over the next ten years. Policies that would close a number of the most egregious of these offshore tax loopholes are included in the Cut Unjustified Tax Loopholes Act (S. 268). The Levin-Whitehouse bill would end incentives that encourage the offshoring of jobs and profits.

Diverse constituencies, including small business, labor, faith, and public interest groups support closing these loopholes. **We urge you to stand with taxpayers by joining as a co-sponsor of the Cut Unjustified Tax Loopholes Act and urging your leadership to close these loopholes as part of any budget agreement made in the next year.**

Sincerely,

Action Aid USA

Alliance for a Just Society

American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)

American Sustainable Business Council

American Friends Service Committee

Business for Shared Prosperity

Center of Concern

Center for Effective Government

Citizens for Tax Justice

EG Justice

Financial Accountability and Corporate Transparency Coalition

Foreign Policy In Focus

Foundry United Methodist Church

Friends of the Earth US

Global Financial Integrity

Jubilee USA Network

Main Street Alliance

Maryknoll Office for Global Concerns

New Rules for Global Finance

Presbyterian Church (USA)

Public Citizen

Service Employees Union International (SEIU)

Tax Justice Network USA

TransAfrica

U.S. Public Interest Research Group (PIRG)

State/Local Organizations

Arizona PIRG – AZ

Jubilee San Diego – CA

California PIRG – CA

Nicaragua Center for Community Action (NICCA) – CA
Resurrection Lutheran Church - CA
Colorado PIRG – CO
Connecticut PIRG – CT
Pax Christi Catholic University of America – DC
Foundry United Methodist Church – DC
Florida PIRG – FL
Georgia PIRG – GA
Georgia Rural Urban Summit – GA
Georgia Fair Share – GA
9 to 5 Atlanta – GA
MoveOn Atlanta – GA
Atlanta Jobs with Justice – GA
Provincial Council of the Clerics of St. Viator (Viatorians) – IL
Illinois Maternal and Child Health Coalition – IL
AIDS Foundation of Chicago – IL
Autism Society of Illinois – IL
Union Church of Hinsdale – IL
American Bottom Conservancy Illinois – IL
Citizens Against Ruining the Environment - IL
Eco-Justice Collaborative – IL
Holy Cross International Justice Office – IN
Sisters of the Holy Cross Congregation Justice Committee Notre Dame, Indiana – IN
Des Moines Chapter – Women’s International League for Peace and Freedom (WILPF) – IA
Iowa Annual Conference of the United Methodist Church – IA
Iowa Citizens for Community Improvement – IA
Iowa Move to Amend – IA
Green Dubuque – IA
Iowa Progressive Action Coalition – IA
Iowa Citizen Action Network – IA
Iowa Mainstreet Alliance – IA
Iowa PIRG – IA
Iowa Policy Project – IA
Maryland PIRG – MD
Maryland United for Peace and Justice – MD
Institute for Justice and Democracy in Haiti - MA
Jubilee Justice Task Force of the United Church of Christ – MA
Jubilee Massachusetts – MA
Massachusetts PIRG – MA
Immaculate Heart of Mary Justice, Peace and Sustainability Office – MI
Holy Innocents Episcopal Church – MI
PIRG in Michigan – MI
Missouri PIRG – MO
Missourians for Tax Justice sub-committee of the MO Association for Social Welfare – MO
Economic Justice Task Force – MO
Progress Now Nevada – NV
New Hampshire PIRG – NH
New Jersey PIRG – NJ
NJ Working Families Alliance – NJ
NJ State Industrial Union Council – NJ
NJ Save Our Schools March – NJ
NJ Main Street Alliance – NJ

NJ Citizen Action – NJ
New Mexico PIRG – NM
North Carolina PIRG – NC
Jubilee Oregon – OR
Oregon PIRG (OSPIRG) – OR
Pennsylvania PIRG – PA
Grey Nuns of the Sacred Heart – PA
Small Business Chamber of Commerce – SC
Texas PIRG – TX
Vermont PIRG – VT
Jubilee Northwest - WA
Fuse Washington – WA
Washington PIRG – WA
Hill Connections – WI
Madison Teachers Inc - WI
Wisconsin Alliance for Retired Americans – WI
Citizen Action – WI
Wisconsin Community Action Program – WI
Wisconsin Education Association Council –WI
Wisconsin PIRG – WI