FACT Sheet: Stop Tax Haven Abuse Act of 2017

S. 851/H.R. 1932

Tax haven abuse undermines the fairness of our tax code. By shifting profits to offshore tax havens, multinational corporations avoid over $100 billion in taxes each year. Wealthy individuals evade an estimated $40 to $70 billion. The Stop Tax Haven Abuse Act of 2017 will close many of the loopholes that allow multinational companies and the wealthy to play by a different set of rules than the rest of us.

Close the loopholes, simplify the rules, level the playing field.

What the bill will do:

Prevent Individual Tax Evasion

Discourage foreign banks from facilitating U.S. tax evasion.

Allow the Treasury Department to block foreign banks that shield tax dodgers from easily doing business in the U.S.

Strengthen the Foreign Account Tax Compliance Act

U.S. citizens who establish foreign shell companies—often to hide assets—will be considered 'owners' of the company unless they prove otherwise. This provision eliminates the fiction that the assets are 'foreign' and exempt from U.S. taxes.

Eliminate the ability of individuals to evade taxes by hiding behind anonymous accounts

Ease law enforcement access to information about the identity of anonymous foreign account holders.

Establish that a company managed and controlled in the U.S. is a U.S. company

No more tax avoidance by stashing profits in an offshore shell company based in a tax haven.

Eliminate the 'swaps' loophole

Swaps income is analogous to investment income. Earned interest and dividends deposited in foreign accounts are taxable but swaps income is, for no good reason, exempt.

Prevent Corporate Tax Avoidance

Increase corporate transparency

Require multinational companies to publicly report revenue, profits, taxes paid and certain other information on a country-by-country basis.

Pay no taxes, receive no deductions

Eliminate the ability of companies to deduct expenses related to untaxed offshore profits.

Restrict the gaming of foreign tax credits

Companies game foreign tax credits by repatriating income from high tax jurisdictions, sometime resulting in excess credits. By requiring that companies only receive a credit for their overall foreign tax rate, it would end this gaming.

Rein in abusive 'transfer pricing'

Allow the IRS to limit foreign affiliates of companies from overcharging their U.S. counterpart for royalties or the use of intellectual property to shift profits and avoid taxes.

Repeal 'check the box' rules and related CFC look-through provisions

When companies move money between certain affiliates, the profits may be taxable. One way to avoid tax liability is currently to simply check a box on a form that legally discounts the affiliate as a part of the corporate structure.

Prevent Tax-Related Corporate Inversions

Reduce corporate 'inversions'

Following a corporate merger, a company is a U.S. company if more than 50% of the ownership is with U.S. shareholders or the new company is managed and controlled in the United States.

Curb 'earnings stripping'

Disallow an interest deduction for U.S. subsidiaries that have been loaded up with a disproportionate amount of the debt of the entire multinational corporation.

Tax avoidance and evasion are not inevitable. The current system represents a failure of Congress to close the loopholes that allow these problems to flourish. And we should stop favoring multinational corporations over domestic companies.

Congress should pass the Stop Tax Haven Abuse Act as a significant step toward a fairer, more rational tax code.

For more information, contact The FACT Coalition at (202) 827-6401