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Financial Accountability & Corporate Transparency

FACT Sheet

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The House Tax Bill is a Gift to Companies that Offshore Profits and Jobs

Quick Guide to Understanding the House Tax Plan's International Corporate Tax Provisions

The tax bill deals with two types of offshore income. The first is what has already been earned and booked overseas (past profits). The second is taxing profits going forward (future profits).

Past Profits

1. The companies that have dodged taxes for years get rewarded with a tax break of more than $500 billion.

    a. For years companies have shifted their profits to tax havens around the world. To date, the stockpile of cash earnings is $2.6 trillion.
    b. The House tax bill offers these companies a one-time deal to tax those profits at discounted rates of 12% for profits held in cash and 5% for other types of invested profits -- that's well below the current 35% rate, the rate in place at the time they earned the profits.
    c. There is no economic case for discounted tax rates on profits already earned.
    d. The last time we gave companies a break on profits booked offshore (2004), they used the money for executive bonuses and dividends.
    e. They did NOT use the money for creating new jobs, raises for workers or investments in new factories or equipment. The top 15 companies to take advantage of the so-called 'tax holiday,' laid off 20,000 workers in the two years following the tax break.
    f. There is no reason to believe this time will be different.

Future Profits

2. Going forward, gimmicks in the tax bill will give new incentives to move jobs offshore. While closing some loopholes, the bill opens others and leaves several loopholes in place for favored special interests.

    a. Currently, U.S. companies (like you and I) owe taxes on earnings wherever they are made – in Dublin or Des Moines. The new bill changes that longstanding parity by exempting offshore income from taxation and only subjecting certain extraordinary offshore profits to half the tax rate owed on domestic income.
    b. Many offshore profits will be untaxed.
    c. Under the new bill, if companies try to move more than $100 million in U.S. profits to offshore subsidiaries, they will pay taxes on most of those profits – that's good. However, the vast majority of corporations have less than $100 million in revenues — and under this bill, they may be able to strip profits out of the United States tax-free.

d. Additionally, before we celebrate the closing of one loophole, we need to recognize the opening of another – one that incentivizes ***moving jobs*** offshore.
e. Because the bill exempts ordinary overseas profits from taxes entirely but taxes abnormally high profits — albeit at a tax rate that is just half that for domestic profits — companies will be incentivized not just to move profits on paper to tax havens but to move actual jobs and factories to lower tax countries like Ireland and Switzerland.
f. The Republicans say they are lowering the rate to reduce the exodus of jobs but even the giveaway rate of 20% for profits booked here is higher than the 0% rate for many offshore profits and half the maximum 10% rate for extraordinary profits booked overseas.
g. Why are we favoring foreign profits? Why are we incentivizing companies to move operations offshore?
h. This lower 10% tax rate only applies to foreign profits that are extraordinarily high. If companies move jobs overseas, then they can book those expenses overseas and keep the profit margins low to avoid even the 10% rate.
i. The Republicans say they are getting rid of loopholes but:
    i. Oil, gas, and mining companies are exempt from even the 10% tax on extraordinary profits. A free pass.
    ii. Banks and financial services are exempt as well — giving them a 0 percent offshore rate.
    iii. Apple, perhaps the most well-known and largest tax dodger, would be able to continue dodging taxes in Ireland and be further incentivized to move operations offshore.
j. That's why many offshore profits will not be taxed and that is why companies will have an ongoing incentive to offshore jobs.
k. In short, they get a lower rate for foreign profits and can further lower their rate if they move jobs overseas.
l. The incentives are backward and opposite of what the Republicans are saying.

3. Tax bill give huge benefits to large, multinational companies giving further advantage over small and domestic businesses

    a. Under the bill, multinational companies are taxed at 20% on profits earned here and 10% on some of the profits booked overseas. And nothing if the profits are average returns.
    b. Small and domestic businesses will not be moving profits or jobs offshore. The giveaway to multinationals continues the existing advantage for big over small.

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