

57 NATIONAL ORGANIZATIONS TO CONGRESS:

End the Corporate Tax Preference for Shifting Jobs & Profits Offshore

March 13, 2019

Honorable Members of the Senate and House of Representatives
United States Congress
Washington, D.C.

RE: No Tax Breaks for Outsourcing Act (S.780 / H.R.1711)

Dear Member of Congress,

We write to express our support for the No Tax Breaks for Outsourcing Act — S.780 introduced by Senator Sheldon Whitehouse (D-RI) and H.R.1711 introduced by Representative Lloyd Doggett — and ask you to become a co-sponsor of this critical legislation.

The first tax filings for multinational corporations under the new law — the Tax Cuts and Jobs Act (TCJA) — are now being released and the early returns are just what opponents of the law feared. According to a review by the Institute on Taxation and Economic Policy (ITEP), Netflix and Amazon paid no U.S. federal income tax on record profits in 2018.¹ These corporations are not alone; they are not outliers. We expect similar stories to emerge as more tax filings are analyzed because the TCJA creates new incentives for companies to avoid taxes by shifting profits, jobs, and operations overseas.

Corporations shift about \$300 billion in profits out of the U.S. each year, according to the Congressional Budget Office (p. 127).² The TCJA will only reduce that profit-shifting by \$65 billion, meaning corporations will avoid paying taxes on \$235 billion in profits each year. This is revenue that should be funding critical public investments in healthcare, education, infrastructure, and other priorities. Moreover, the law created new incentives for multinational corporations to move their real operations offshore.³ The law guarantees that U.S. multinational corporations will pay at most one-half the domestic tax rate on their offshore earnings, with many companies paying little or nothing in taxes on

¹ *Fox Business*, “Amazon, Netflix did not pay any federal taxes in the US in 2018: Report”, February 18, 2019, available at <https://video.foxbusiness.com/v/6003605947001/#sp=show-clips>.

² *Congressional Budget Office*, “The Budget and Economic Outlook: 2018 to 2028”, April 2018 (p. 127), available at <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53651-outlook.pdf>.

³ Natalie Kitroeff, “Tax Law May Send Factories and Jobs Abroad, Critics Say”, *The New York Times*, January 8, 2018, available at <https://www.nytimes.com/2018/01/08/business/economy/gop-says-tax-bill-will-add-jobs-in-us-it-may-yield-more-hiring-abroad.html>.

these earnings. This means that, under the new law, a U.S. multinational company will pay a much lower tax rate if it invests in Ireland than if it invests in Indiana.

The No Tax Breaks for Outsourcing Act would provide a simple, straightforward fix to one of the most egregious problems created by the TCJA. It would level the playing field for small and wholly domestic businesses by eliminating the deep discount that multinational companies get for shifting profits offshore and outsourcing jobs. It is counterproductive to the goals of a fair and growing economy to allow U.S. companies to pay a lower tax rate abroad than they pay in the United States.

The legislation would also close the corporate inversion loophole, which allows companies to avoid paying U.S. taxes by pretending to be a foreign company on paper. The bill would prevent an American corporation from using a merger with a foreign company to claim that it is foreign for tax purposes if it continues to be managed and controlled in the United States or if a majority of the U.S. company's shareholders own the resulting company after the merger. Additionally, the legislation would curb the biggest incentive for companies to invert by limiting the practice of earnings stripping in which intercompany loans are used to shift profits out of the United States into low-tax subsidiaries.

We strongly encourage you to co-sponsor the No Tax Breaks for Outsourcing Act in order to make our tax system fairer, raise critically needed revenue, and encourage job creation here in America.

Sincerely,

Advocacy for Principled Action in Government
Alliance for Retired Americans
American Family Voices
American Federation of Government Employees (AFGE)
American Federation of Labor & Congress of Industrial Organizations (AFL-CIO)
American Federation of State, County and Municipal Employees (AFSCME)
American Federation of Teachers
Americans for Tax Fairness
Americans for Democratic Action (ADA)
Campaign for America's Future
Center for Popular Democracy
Coalition on Human Needs
Communications Workers of America (CWA)
Congregation of Our Lady of the Good Shepherd, US Provinces
CREDO Action
Daily Kos
Democrats.com
Economic Policy Institute (EPI) Policy Center
Financial Accountability and Corporate Transparency (FACT) Coalition
Franciscan Action Network

Friends of the Earth
Global Financial Integrity
Health Care for America Now
Indivisible
Institute for Policy Studies – Program on Inequality and the Common Good
Institute on Taxation and Economic Policy (ITEP)
Interfaith Center on Corporate Responsibility
International Association of Machinists & Aerospace Workers
International Brotherhood of Teamsters
International Federation of Professional & Technical Engineers (IFPTE), AFL-CIO
International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW)
Jobs with Justice
Jubilee USA Network
Main Street Alliance
MomsRising
National Advocacy Center of the Sisters of the Good Shepherd
National Coalition for the Homeless
National Education Association
National Employment Law Project
NETWORK Lobby for Catholic Social Justice
New Rules for Global Finance
Oxfam America
Patriotic Millionaires
People Demanding Action
Progressive Change Campaign Committee
Public Citizen
RootsAction.org
Service Employees International Union (SEIU)
Small Business Majority
Take On Wall Street
Tax March
Union Veterans Council, AFL-CIO
UNITE HERE
United Food and Commercial Workers International Union (UFCW)
United Steelworkers (USW)
Voices for Progress
Working America