

102 Groups Support Disclosure of Tax Havens and Offshoring Act (H.R. 5933)

July 13, 2020

RE: Disclosure of Tax Havens and Offshoring Act (H.R. 5933)

Dear Chairwoman Waters and Ranking Member McHenry,

We, the undersigned organizations, strongly urge you to advance the Disclosure of Tax Havens and Offshoring Act (H.R. 5933), which would require large, publicly-traded corporations to disclose key financial information (e.g. profits, revenues, taxes, number of employees, etc.) on a country-by-country basis to better inform taxpayers, investors, policymakers, academics, and other stakeholders and ensure that we emerge from the COVID-19 pandemic on the path to a sustainable and equitable economy.

The ongoing COVID-19 pandemic has shattered the political and economic paradigms that have dominated the global debate for the past forty years; it has laid bare the ramifications of the wealth drain posed by a global race to the bottom on taxes, which have hollowed out our public health and social services and given rise to levels of economic inequality not seen since the gilded age. It has similarly exposed the national security threats posed by a tax code that encourages the outsourcing of jobs to lower wage jurisdictions.

Even before this crisis, copious studies found that large, multinational corporations in the United States and elsewhere use provisions in the tax code to shift profits and avoid paying taxes that they would otherwise be required to pay. Analysis from the Institute on Taxation and Economic Policy revealed that 91 profitable Fortune 500 companies paid no federal income taxes in the U.S. in 2018 while another 56 such companies paid between 0 and 5 percent.¹ The Tax Justice Network estimates that tax avoidance results in a loss of \$500 billion for taxpayers globally each year—and the country facing the largest revenue loss is the United States. The Organization for Economic Cooperation and Development (OECD) estimates the annual losses globally to be in the hundreds of billions of dollars.²

This tax haven abuse will make it much harder for federal and state agencies to help their constituents overcome the COVID-19 pandemic. Such enormous revenue drain increases the pressure on lawmakers to heed the call to cut public services that are vital to a functioning economy and the COVID-19 response or unfairly shift the tax burden to other taxpayers, such as those who are less able to pay (including those suffering most from the pandemic). Either option leads to

¹ Matthew Gardner, Lorena Roque, Steve Wamhoff, "Corporate Tax Avoidance in the First Year of the Trump Tax Law", *Institute on Taxation and Economic Policy*, December 16, 2019; <https://itep.org/corporate-tax-avoidance-in-the-first-year-of-the-trump-tax-law/>.

² Alex Cobham, "Estimating tax avoidance: New findings, new questions," *Tax Justice Network*, March 22, 2017, <https://www.taxjustice.net/2017/03/22/estimating-tax-avoidance-questions/>.

regressive fiscal regimes which exacerbate economic inequality and undermine the COVID-19 recovery effort.

Over the past few decades, lost revenues in the U.S. have led to (sometimes draconian) austerity measures. Policymakers have cut back on vital services, underfunding healthcare, education, investments in infrastructure that would spark additional economic activity, and more. After years of funding cuts, food assistance for low-income families now averages less than \$1.50 per person per meal.³ Decades of budget cuts have similarly hollowed out the world's premier public health agency — the U.S. Center for Disease Control and Prevention — culminating in the COVID-19 testing catastrophe.⁴

The Disclosure of Tax Havens and Offshoring Act (H.R. 5933) is the first step in reversing the wealth drain from multinational tax avoidance. The legislation would improve the COVID-19 response by yielding important data to address potential profit shifting and outsourcing by requiring multinational companies to release basic financial information publicly. This is information they already provide to the Internal Revenue Service (IRS) under an OECD agreement, meaning there is no additional cost or burden on these companies in public reporting.

Increasing tax transparency through public disclosure will force large corporations to clean up the most questionable tax practices — boosting revenues to combat the economic and health ramifications of the virus. We have already seen this in the European Union, which recently required large banks operating in member states to publicly report certain profit and tax information on a country-by-country level. After accounting for all other factors, transparency alone pushed these financial institutions to move away from their most aggressive tax avoidance schemes — resulting in a rise in their effective tax rates, according to an academic review.⁵

At the same time, public disclosure will give policymakers, academics, investors, and others a better understanding of how tax policies impact differing constituencies — information we do not have under the current system of private reporting and information that is essential to ensuring the enactment of an informed fiscal plan for a successful COVID-19 recovery.

Multinational corporations have relied on the secrecy in the financial system to shift the tax burden to the rest of us over the past several decades. Presently, it can be difficult to even engage in an informed discussion. The little information to which we do have access suggests that there is an enormous problem. Aggregate data at the U.S. Internal Revenue Service from the initial reports filed by corporations under the OECD's current country-by-country reporting framework show that, in 2017, more profits were booked in known tax haven countries (including the Cayman Islands, Bermuda, and Singapore) by U.S. multinationals than in China, Canada, and Mexico — the three largest U.S. trading partners.⁶ Following the passage of the 2017 Tax Cuts and Jobs Act, Professor

³ "Chartbook: SNAP Helps Struggling Families Put Food on the Table," Center for Budget and Policy Priorities, November 7, 2019, <https://www.cbpp.org/research/food-assistance/chart-book-snap-helps-struggling-families-put-food-on-the-table>.

⁴ Kiran Stacey and Hannah Kuchler, "US health body's reputation takes a knock over coronavirus," *Financial Times*, March 12, 2020, <https://www.ft.com/content/928219ca-63c6-11ea-b3f3-fe4680ea68b5>.

⁵ Overesch, Michael and Wolff, Hubertus, Financial Transparency to the Rescue: Effects of Country-by-Country Reporting in the EU Banking Sector on Tax Avoidance (February 8, 2019). Available at SSRN: <https://ssrn.com/abstract=3075784> or <http://dx.doi.org/10.2139/ssrn.3075784>.

⁶ *Internal Revenue Service*, "Table 1A: Country-by-Country Report (Form 9875): Tax Jurisdiction Information (Schedule A: Part I) by Major Geographic Region and Selected Tax Jurisdiction, Tax Year 2017", <https://www.irs.gov/pub/irs-soi/17it01acbc.xlsx>.

Kimberly Clausing of Reed College estimated that U.S. multinationals would continue to shift \$300 billion in profits offshore each year to avoid taxes.⁷

Digging ourselves out of this crisis will require reversing the global wealth drain caused by tax avoidance and outsourcing. That process begins by shining a light on those abuses through enactment of the Disclosure of Tax Havens and Offshoring Act (H.R. 5933).

We thank you for taking our views into account. If you have questions, please feel free to contact Erica Hanichak at ehanichak@thefactcoalition.org.

Sincerely,

Academics Stand Against Poverty

Accountability Lab

Advocacy for Principled Action in Government

AFL-CIO

Africa Faith & Justice Network

AfricaFocus Bulletin

American Family Voices

Americans for Democratic Action

Americans for Financial Reform

Americans for Tax Fairness

Asia Initiatives

Campaign for America's Future

Center for American Progress

Center for International Policy

Center for Popular Democracy

Citizens for Responsibility and Ethics in Washington (CREW)

Coalition on Human Needs

Communications Workers of America (CWA)

Color of Change

Congregation of Our Lady of Charity of the Good Shepherd, U.S. Provinces

Consumer Action

⁷ Clausing, Kimberly A., Profit Shifting Before and After the Tax Cuts and Jobs Act (January 20, 2020). Available at SSRN: <https://ssrn.com/abstract=3274827> or <http://dx.doi.org/10.2139/ssrn.3274827>.

Consumer Federation of America
Corporate Accountability Lab
Crude Accountability
Demand Progress
Democrats.com
EarthRights International
Economic Policy Institute
ESG Transparency Initiative
Fair Share
Faith Action Network - Washington State
Financial Accountability and Corporate Transparency (FACT) Coalition
Financial Transparency Coalition
Foundation Earth
Friends of the Earth U.S.
Gender Action
Global Alliance for Tax Justice
Global Financial Integrity
Global Justice Program
Government Accountability Project
Greenpeace USA
Healthcare for America Now (HCAN)
Heartland Initiative
Institute for Policy Studies - Program on Inequality
Institute on Taxation and Economic Policy (ITEP)
Interfaith Center on Corporate Responsibility
International Association of Machinists and Aerospace Workers
International Brotherhood of Teamsters
International Campaign for Responsible Technology
International Corporate Accountability Roundtable
International Federation of Professional and Technical Engineers
International Labor Rights Forum
International Rights Advocates

Jubilee USA Network
Liberty Shared
Mining Watch Canada
MomsRising
National Advocacy Center of the Sisters of the Good Shepherd
National Education Association (NEA)
National Employment Law Project
National Organization for Women
National Women's Law Center
NETWORK Lobby for Catholic Social Justice
New Rules for Global Finance
Open Contracting Partnership
Open the Government
Our Revolution
Oxfam America
Patriotic Millionaires
Pax Advisory
Peace Education Center
Poligon Education Fund
Progressive Change Institute
Project Blueprint
Project Expedite Justice
Public Citizen
Publish What You Pay - US
Revolving Door Project
Rights CoLab
Rights and Accountability in Development (RAID)
RootsAction.org
Service Employees International Union (SEIU)
Shadow World Investigations
Sisters of St. Francis Philadelphia
South Carolina Small Business Chamber of Commerce

Strong Economy for All Coalition

Sustentia

Take on Wall Street

Tax Justice Network

Tax Justice Network Africa

Tax Justice Network USA

Tax March

The Arc of the United States

The Shareholder Commons

The Society of African Missions, Inc.

Union Veterans Council, AFL-CIO

United Auto Workers (UAW)

United Cerebral Palsy National

United Church of Christ, Justice and Witness Ministries

United Steelworkers (USW)

U.S. PIRG

Working America