



AMERICAN  
SUSTAINABLE  
BUSINESS  
COUNCIL

National Small  
Business Network



July 15, 2020

The Honorable Maxine Waters  
Chairwoman  
U.S. House Committee on Financial Services  
Washington, D.C. 20515

The Honorable Patrick McHenry  
Ranking Member  
U.S. House Committee on Financial Services  
Washington, D.C. 20515

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

Dear Chairwoman Waters and Ranking Member McHenry,

As organizations representing tens of thousands of small business owners in the United States, we write to urge you to support the Disclosure of Tax Havens and Offshoring Act (H.R. 5933).

Small business owners often find themselves in competition with multinational corporations — that is simply a fact of life for our members. But governments must not put their thumbs on the scale to advantage large companies over small ones — multinationals over wholly domestic ones — especially when those policies present tangible harm to the vast majority of businesses and the larger economy. We are seeking a fair and level playing field.

Numerous studies have found that large, multinational companies in the United States and around the world use provisions in the tax code to shift profits and avoid paying taxes that they would otherwise be required to pay. The effective tax rates of many of the largest U.S. companies are far lower than what is paid by millions of smaller entrepreneurs. A recent study by the Institute on Taxation and Economic Policy found 91 profitable Fortune 500 companies paid absolutely no U.S. federal income tax in 2018, and another 56 paid between just 0 and 5 percent.<sup>1</sup>

The high levels of tax avoidance by large corporations, estimated in the hundreds of billions of dollars in annual losses globally, harms small business competitiveness — increasing the risks to the larger business environment in which we operate. Small businesses are often the ones asked to pick up the tab to pay for the lost revenue to balance budgets or cover the costs of public services. If taxes are not collected, a lack of adequate revenue can lead to rising public debt, which then impacts our members' ability to access capital or face deteriorating services that harm the ability of small businesses to attract customers. For example, if there is insufficient funding for new infrastructure projects, a larger chain might be able to build its own access road to its newest superstore, but a local retailer is not able to do the same.

A lack of transparency in tax data likewise presents a major roadblock to better understanding how tax policies impact differing constituencies. We cannot even engage in an informed discussion.

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<sup>1</sup> 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/>.

Multinational companies rely on the opacity of basic financial information to shift the tax burden to their competitors in the small business community, among others. What little information we do have suggests there is an enormous imbalance.

The OECD's Inclusive Framework member nations have already agreed to require the largest multinational companies to report some basic financial information at a country-by-country level to tax authorities. While that may well be helpful to certain tax authorities to catch flagrant tax evasion, it is of little use to policymakers and others in efforts to understand whether there exists an equitable distribution of tax responsibilities.

The diverse business organizations signed onto this letter may not all agree on what an appropriate tax system looks like, but we are united in a call for the disclosure of the necessary information to engage in a responsible debate.

To that end, H.R. 5933 would require multinational corporations to publicly release basic revenue and tax information that they are already required to collect and privately report to the IRS under an earlier multilateral agreement. By utilizing an existing framework, the bill minimizes any costs or other burdens on the multinational businesses.

There is growing evidence that tax transparency is becoming an expectation for multinational companies. The Global Reporting Initiative (GRI) released a new tax transparency standard in December for member companies.<sup>2</sup> The GRI standard is similar to the provisions in the Disclosure of Tax Havens and Offshoring Act. Several companies have already moved to adopt the standard and many more are considering doing so.

To help level the playing field for small businesses and help to influence the emerging global standard, we urge your support for the Disclosure of Tax Havens and Offshoring Act and encourage you to move the bill through the House Financial Services Committee quickly.

We thank you for your consideration of our views. If you have questions, please feel free to contact Awesta Sarkash ([asarkash@smallbusinessmajority.org](mailto:asarkash@smallbusinessmajority.org)) at Small Business Majority.

Sincerely,

American Sustainable Business Council  
Main Street Alliance  
National Small Business Network  
Small Business Majority

Cc: Members of the U.S. House Committee on Financial Services

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<sup>2</sup> See: GRI 207: TAX 2019, <https://www.globalreporting.org/standards/gri-standards-download-center/gri-207-tax-2019/>.