90 NGOs Call on Congress to End the Corporate Tax Preference for Shifting Jobs & Profits Offshore

MARCH 11, 2021

RE: No Tax Breaks for Outsourcing Act (H.R. 1785 / S. 714)

Dear Member of Congress,

We write to express our support for the No Tax Breaks for Outsourcing Act (H.R. 1785 / S. 714), which would eliminate harmful incentives to move the corporate tax base as well as real operations – American jobs and investment – offshore. The bill would ensure that U.S. multinational corporations pay at least the U.S. statutory rate (currently 21 percent) on their income in every country where they operate. **We ask you to become a co-sponsor of this critical legislation.**

The ongoing COVID-19 pandemic has laid bare the ramifications of the global race to the bottom on taxes, which has drained government coffers, hollowed out our public health and social services, and given rise to levels of economic inequality not seen since the Gilded Age. Certain companies profiting the most during the pandemic – like Microsoft, Google, or Facebook, which saw their profits surge since the start of the crisis[1] – have a history of avoiding federal income tax. They are not outliers. **"Building back better" requires more than a health care response to the pandemic: it requires reimagining a fairer tax system that works for all.**

Current U.S. tax law results in losses of revenue that should be funding critical public investments in healthcare, education, infrastructure, and other priorities. Moreover, the current law offers incentives for multinational corporations like General Electric to move their real operations offshore.[2, 3] The current law guarantees that U.S. multinational corporations **will pay at most one-half the domestic rate in federal taxes on their offshore earnings, with many companies paying little or nothing in federal taxes on these earnings.** This means that a U.S. multinational company will pay a much lower tax rate if it invests in Ireland than if it invests in Indiana.

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[1] Oxfam, "Power, Profits and the Pandemic: From corporate extraction for the few to an economy that works for all," Oxfam, September 2020, https://www.oxfamamerica.org/explore/research-publications/power-profits-and-pandemic-corporate-extraction-few-economy-works-all.

[2] Natalie Kitroeff, "Tax Law May Send Factories and Jobs Abroad, Critics Say", *The New York Times*, January 8, 2018, 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.

[3] Public Citizen, "Promises Made, Workers Betrayed: Trump's Bigly Broken Promise to Stop Job Offshoring," Public Citizen, October 2020, (p. 2), http://www.citizen.org/wp-content/uploads/Govt-Contracts-w-Offshorers-Report-10052020FINAL.pdf. See also Americans for Tax Fairness, "Corporate Lobbying on Tax Extenders and the 'GE Loophole'", March 2014, https://americansfortaxfairness.org/reports/report-on-lobbying-on-tax-extenders.

The No Tax Breaks for Outsourcing Act would provide a simple, straightforward fix to one of the costliest problems created by the Tax Cuts and Jobs Act and bolster President Biden's corporate tax agenda. 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.

Economists have calculated that the No Tax Breaks for Outsourcing Act would raise an estimated $771 billion over the 10-year budget window.[4] Preventing U.S. domiciled multinational companies from avoiding their fair share of taxes would strengthen our emergence from the pandemic-caused recession by supporting much-needed public investment in a Build Back Better recovery bill. Corporate taxes are levied on profitable, not unprofitable, businesses. And the investments new revenues could underwrite – from infrastructure to healthcare to working-family tax credits – would have a stimulative effect on the economy. Returning a measure of fairness to our nation's tax code in this fashion would support a strong and equitable recovery for all.

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.

Thank you for taking our views into account. If you have questions, please contact Erica Hanichak at ehanichak@thefactcoalition.org.

Sincerely,

[4] Kimberly Clausing, "Five Lessons on Profit Shifting from the U.S. Country by Country Data," *Tax Notes Federal*, January 13, 2021, p. 936, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3736287.

AfricaFocus Bulletin

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 Democratic Action (ADA)

Americans for Tax Fairness

American Sustainable Business Council

Association of Concerned Africa Scholars - USA

Campaign for America's Future

Center for International Policy

Center for Popular Democracy

Coalition on Human Needs

Color of Change

Communication Workers of America (CWA)

Community Change Action

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

Corporate Accountability Lab

Crude Accountability

DailyKos

Democrats.com

Economic Policy Institute

Fair Share

Faith Action Network

Financial Accountability and Corporate Transparency (FACT) Coalition

Franciscan Action Network

Friends of the Earth U.S.

Fund for Constitutional Government

Global Alliance for Tax Justice

Global Financial Integrity

Greenpeace US

Grey Nuns of the Sacred Heart

Health Care for America Now

Indivisible

Institute for Policy Studies – Inequality Program

Institute on Taxation and Economic Policy (ITEP)

Interfaith Center on Corporate Responsibility (ICCR)

International Association of Machinists & Aerospace Workers (IAMAW)

International Brotherhood of Teamsters

International Federation of Professional and Technical Engineers (IFPTE)

International Rights Advocates

International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW)

IUE-CWA

Jobs With Justice

Jubilee USA

Liberty Shared

Main Street Alliance

Maryknoll Fathers and Brothers

Missionary Oblates

MomsRising

National Advocacy Center of the Sisters of the Good Shepherd

National Education Association (NEA)

National Employment Law Project

National Organization for Women

NETWORK Lobby for Catholic Social Justice

Our Maryland

Our Revolution

Oxfam America

Patriotic Millionaires

Peace Education Center

Progressive Change Institute

Project Blueprint

Public Citizen

Publish What You Pay – United States

Responsible Wealth

RESULTS

Rights CoLab

RootsAction.org

Service Employees International Union (SEIU)

Sisters of St. Francis of Philadelphia

Small Business Majority

South Carolina Small Business Chamber of Commerce

Strong Economy For All Coalition

Take on Wall Street

Tax Justice Network

Tax Justice Network USA

Tax March

Union Veterans Council, AFL-CIO

United for a Fair Economy

United Church of Christ, Justice and Witness Ministries

United Methodist Church – General Board of Church and Society

United Steelworkers (USW)

UNITE HERE

US-Africa Bridge Building Project

Voices for Progress

Washington Fair Trade Coalition

Working America, AFL-CIO

Working Partnerships US