64 Investors with Nearly $2.9 Trillion in Assets Under Management Show Support for the Disclosure of Tax Havens and Offshoring Act

May 11, 2021

The Honorable Sherrod Brown
Chairman
U.S. Senate Committee on Banking, Housing, and Urban Affairs
Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Patrick Toomey
Ranking Member
U.S. Senate Committee on Banking, Housing, and Urban Affairs
Dirksen Senate Office Building
Washington, D.C. 20510

RE: Disclosure of Tax Havens and Offshoring Act (S. 1545)

Dear Chairman Brown and Ranking Member Toomey,

As investors collectively managing assets of more than $2.89 trillion, we write to urge you to support the Disclosure of Tax Havens and Offshoring Act (S. 1545). The legislation would require much-needed disclosures of material information to better allow investors to gauge risks and assess value, strengthen the current state of opaque tax reporting by corporations, and meet emerging global country-by-country reporting standards.

Investors require income and tax information at the country-by-country level to better understand a company's financial, reputational, and economic risks to make informed investment decisions. With global momentum growing to significantly change how multinational corporations are taxed – including through the Administration's tax change proposals and the OECD negotiations – investors now, more than ever, need information to inform them on how their holdings may be affected by changes to U.S. tax law.

Given the global movement around tax transparency — with 80 percent of companies surveyed by Deloitte expecting public country-by-country reporting to be adopted in the next few years[1] — we support legislation to conform U.S. disclosure requirements to meet emerging uniform global standards for those who invest in U.S. companies.

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[1] Deloitte, "2018 BEPS Global Survey," 2018, https://www2.deloitte.com/us/en/pages/tax/articles/beps-global-survey.html.

Investors can face material financial risk from multinational corporations at odds with tax authorities, and the Biden Administration plans to increase resources for the IRS to conduct more enforcement activities. Government tax authorities are increasingly cracking down on aggressive tax planning used by companies to minimize their tax liabilities, achieve hidden competitive advantages, and generate artificial profits through tax refunds and other tax benefits. For example, in November the U.S. Tax Court supported the IRS allegations that Coca-Cola used profit-shifting to underpay taxes by $3.3 billion from 2007 to 2009 and the company is facing a possible $12 billion tax liability through 2020. When governments act against companies utilizing high-risk corporate tax practices, the financial consequences for companies and investors can be severe.

Globally, there is both growing support among investors and emerging standards for disaggregated corporate tax disclosures on a country-by-country basis.

- The United Nations Principles for Responsible Investment, a network representing investors with more than U.S.$100 trillion in assets under management, has urged companies to publish tax information on a country-by-country basis.
- The Chartered Financial Analyst (CFA) Institute, with 137,000 members in 150 countries, highlighted the importance of tax disclosures as a vital source of information for investors in comments to the Financial Accounting Standards Board.
- The Global Reporting Initiative (GRI), an international standard-setting body whose reporting guidelines are followed by more than three-quarters of the companies listed on the Dow Jones Industrial Average, has a new tax transparency reporting standard, including public country-by-country reporting, that became effective in January. Major global multinational companies, such as Shell and Vodafone, have published public country-by-country reports.
- A United Nations panel, the UN High-Level Panel on International Financial Accountability, Transparency and Integrity, endorsed public country-by-country reporting in its final report issued in February.

With the Disclosure of Tax Havens and Offshoring Act, the U.S. would not be acting alone. In Europe, the European Parliament is currently finalizing mandatory public country-by-country reporting requirements through negotiations with the European Council and European Commission. Negotiations are expected to be completed this summer. Following EU action, it will be important for the U.S. to put in place its own public country-by-country reporting requirement to create a level-playing field for companies and investors.

The member nations of the G20/OECD Inclusive Framework have already agreed to require the largest multinational companies to report the same financial information at a country-by-country level to tax authorities. While that should be helpful for tax authorities to catch tax evasion, it is of little use to investors who cannot see this information. The Disclosure of Tax Havens and Offshoring Act would require multinational corporations to publicly release basic revenue and tax information they are already required to collect and privately report to the IRS under the multilateral OECD agreement. By utilizing an existing framework, the bill minimizes any costs or other burdens on multinational businesses.

Currently, companies have access to revenue, profit, tax, and other information on a country-by-country level that investors do not have, putting their funds at risk. Therefore, we urge you to remedy the situation by supporting the Disclosure of Tax Havens and Offshoring Act and move the bill through your Committee quickly. Public country-by-country reporting would be a powerful tool to empower investors and also support the oversight function of Congress to evaluate the impact of changes to our tax laws on corporate tax behavior.

We thank you for your consideration of our views. If you have questions, please feel free to contact John Keenan (JKeenan@afscme.org) at AFSCME or Nicholas Lusiani (Nicholas.Lusiani@oxfam.org) at Oxfam America.

Sincerely,

ACTIAM
Æquo, Shareholder Engagement Services
AFL-CIO
American Federation of State, County and Municipal Employees (AFSCME)
American Federation of Teachers
Bâtirente
Boston Common Asset Management
Canadian Labour Congress Employee Pension Plan
CCLA Investment Management
Church Commissioners for England
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Clean Yield Asset Management
Communications Workers of America (CWA)
Congregation of Sisters of St. Agnes
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Corporate Responsibility office - Province of Saint Joseph of the Capuchin Order
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Dominican Sisters ~ Grand Rapids
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Hexavest
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International Brotherhood of Teamsters
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NEI Investments
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Newground Social Investment
NorthStar Asset Management, Inc.
Northwest Coalition for Responsible Investment
Oxfam America, Inc.
RRSE (Le Regroupement pour la Responsabilité Sociale des Entreprises)
School Sisters of Notre Dame Cooperative Investment Fund
Seventh Generation Interfaith Coalition for Responsible Investment
Sisters of Charity of Saint Elizabeth
Sisters of St. Dominic of Caldwell, NJ
Sisters of St. Francis of Philadelphia
Skye Advisors LLC
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