



June 15, 2021

The Honorable Nancy Pelosi Speaker
Speaker, U.S House of Representatives
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader. U.S. House of Representatives
Washington, DC 20515

RE: The Disclosure of Tax Havens and Offshoring Act, included as Title V of the Corporate Governance Improvement and Investor Protection Act (H.R. 1187)

Dear Speaker Pelosi and Minority Leader McCarthy,

On behalf of the Financial Accountability and Corporate Transparency (FACT) Coalition, we write in support of the Disclosure of Tax Havens and Offshoring Act, which will be voted on this week in the House of Representatives as Title V of the Corporate Governance Improvement and Investor Protection Act ([H.R. 1187](#)).

The FACT Coalition is a non-partisan alliance of more than 100 state, national, and international organizations promoting policies to combat the harmful impacts of corrupt financial practices.ⁱ

Multinational corporations in the United States and elsewhere have long used provisions in the global tax system to shift profits and avoid paying taxes that they would otherwise be required to pay. IRS aggregate data show that U.S. multinationals booked 41 percent of their foreign profits in just 10 tax havens.ⁱⁱ Further, a 2018 report by the Institute for Taxation and Economic Policy showed 90 of the Fortune 500 paid nothing in tax; another 50 paying between 0-5 percent.ⁱⁱⁱ Many corporations that profited most during the pandemic – e.g. Microsoft, Google, and Facebook – have a history of tax avoidance.^{iv} Profit shifting by U.S. multinational corporations costs the U.S., by one estimate, \$77 billion a year in lost tax revenue.^v

The Disclosure of Tax Havens and Offshoring Act, led by Rep. Cindy Axne (D-IA), would require multinational companies to publish in their filings with the Securities and Exchange Commission certain country-by-country reports – featuring high-level financial information such as profits, revenues, taxes, number of employees, and assets – that they must already provide to the Internal Revenue Service (IRS) under an OECD agreement. The legislation entails no additional cost or burden on reporting companies.

The Disclosure of Tax Havens and Offshoring Act takes an important step toward reversing the wealth drain from multinational tax avoidance. This disclosure would shine a spotlight on tax avoidance strategies and contribute to the fair and transparent tax system the U.S. needs to emerge from the

COVID-19 pandemic on a sustainable and equitable path.

The legislation – already endorsed by mainstream and ESG investors representing nearly \$3 trillion in assets under management^{vi} – would likewise help investors assess potential risks to their holdings due to aggressive corporate tax planning. This disclosure would give investors greater transparency of multinational corporate tax practices in order to assess a company’s financial, reputation and economic risks; gauge their level of risk tolerance; and make informed investment decisions ahead of announced reforms at the U.S. and international level to take on multinational tax avoidance strategies.

Publishing country-by-country reports will inform the public debate and help lawmakers to close the legal loopholes that multinational corporations exploit to avoid tax. The new Administration has stated its plans to take on multinational corporate tax avoidance: public country-by-country reporting would provide further data to assess the future impact of those plans, and help evaluate whether further anti-tax avoidance reforms are needed.

In passing the Disclosure of Tax Havens and Offshoring Act, the House has an important opportunity to shape the global benchmark on tax transparency. House action coincides with negotiations in the European Union to advance its own public country-by-country reporting measure, building on the success of more limited, sector-specific country-by-country disclosures in the wake of the global financial crisis.^{vii} U.S. approval of this legislation would shore up international transparency standards.

For additional information, please contact Erica Hanichak at ehanichak@thefactcoalition.org.

Sincerely,

Ian Gary
Executive Director

Erica Hanichak
Government Affairs Director

CC: Members of the U.S. House of Representatives

ⁱ A full list of FACT Coalition members is available at <http://thefactcoalition.org/about/coalition-members-and-supporters/>.

ⁱⁱ Internal Revenue Service, “Table 1A: Country-by-Country Report (Form 9975): Tax Jurisdiction Information (Schedule A: Part I) by Major Geographic Region and Selected Tax Jurisdiction, Tax Year 2017”, <https://bit.ly/3dEQfmi>.

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iii 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>.

iv 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>.

v Kimberly Clausung, “Five Lessons on Profit Shifting from the U.S. Country by Country Data,” Tax Notes Federal, November 24, 2020, <https://bit.ly/3qh36jl>.

vi FACT Coalition, “66 Investors with Nearly 2.9 Trillion in Assets Under Management Show Support for the Disclosure of Tax Havens and Offshoring Act,” May 2021, <https://thefactcoalition.org/64-investors-with-nearly-2-9-trillion-in-assets-under-management-show-support-for-the-disclosure-of-tax-havens-and-offshoring-act>.

vii Felix Hugger, “The Effect of Country-by-Country Reporting on Corporate Tax Avoidance,” Leibniz Institute for Economic Research, May 2020, <https://www.ifo.de/DocDL/wp-2019-304-hugger-corporate-tax-avoidance.pdf>.

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