Fairness, Transparency, and Effective Enforcement: Principles for Taxing U.S. Multinational Corporations After 2025

Trillions of dollars in tax revenue are on the line as Congress goes to the negotiating table to discuss the upcoming expiration of the 2017 Tax Cuts and Jobs Act (TCJA) at the end of 2025. To preserve popular tax cuts for low and middle-class earners, Congress will look to offset with other revenue sources, including improvements to how multinational corporations are taxed. For decades, large U.S. multinational corporations have underpaid hundreds of billions of dollars in taxes on their overseas profits through complex arrangements that defy both common sense and tax enforcement efforts. The 2017 tax law took some steps in the right direction on multinational taxation, but at the same time provided new incentives for U.S. companies to offshore profits and jobs through preferential rates on overseas earnings, among other carve outs. Congress has an opportunity to raise much-needed revenue, pay for domestic programs, and level the playing field for ordinary taxpayers by eliminating these corporate offshoring incentives and taking other steps to improve tax enforcement and transparency.

To stop the offshoring of profits and jobs, Congress should harmonize the offshore corporate income tax rate with the domestic rate.

By taxing offshore income at a lower rate than domestic income, the tax code incentivizes large multinational companies to shift jobs and profits abroad at the expense of American workers and domestic small businesses. **Congress should equalize the tax rate for overseas earnings with the domestic corporate tax rate, which would both raise hundreds of billions of dollars in additional revenue and ensure that large multinationals are not unfairly advantaged over domestic businesses.** The No Tax Breaks for Outsourcing Act would do just that, while also closing other unnecessary and wasteful loopholes, such as subsidies for certain export sales and certain foreign oil and gas income. The legislation has support from two-thirds of House Democrats and a third of Senate Democrats. Similarly, the Biden Administration has proposed to bring the rate on most corporate overseas earnings to 75 percent of the domestic statutory rate, though further alignment of these two rates would both simplify corporate taxation and generate additional revenue.

To stop the global race to the bottom, the U.S. should align with international standards on taxing multinational companies.

It is critical for the U.S. to continue to engage with other governments and multilateral bodies, including both the Organization for Economic Co-operation and Development (OECD) and the United Nations, on international tax policy issues. **The challenges of today's global, digital economy can only be solved by a robust global tax, financial and trade infrastructure that includes the U.S. as a strong partner.** The alternative for U.S. taxpayers, workers, consumers, and businesses would be a world of tax uncertainty

with a multitude of unilateral tax measures, risking misguided and costly trade wars that would cause broad harm to the economy. To this end, Congress should improve U.S. rules for taxing the global income of multinational companies in line with the global minimum tax deal, known as Pillar Two. In particular, Congress should amend the Global Intangible Low-Taxed Income (GILTI) minimum tax to apply on a per-country basis, and at an effective rate of at least 21 percent. The U.S. should also sign and ratify Pillar One of the global tax deal – a historic and long overdue step to allow greater taxing rights for market economies and end discriminatory foreign digital service taxes.

The US should improve the tax transparency of US-listed multinationals.

Aggressive profit shifting thrives in secrecy. In addition to global minimum tax rules, **public access to country-based tax information will help to deter aggressive profit shifting**. To achieve greater transparency, the U.S. Securities and Exchange Commission (SEC) should move to adopt strong public country-by-country reporting (CbCR) requirements for U.S. multinationals. The disclosure of critical tax information for each jurisdiction of operation will enable investors, legislators, and policy makers to assess material risks and design better tax policies. Though the SEC already has the authority to require public CbCR, Congress should move quickly to provide a mandate for rulemaking, as proposed in the Disclosure of Tax Havens and Offshoring Act.

The US should improve how it exchanges tax information with other countries.

Multilateral cooperation on exchanging tax information is increasingly important in the global digital economy. **Congress and the Administration should be able to exchange critical tax-relevant data with partner countries**, including beneficial ownership information collected under the Corporate Transparency Act (CTA), individual bank account information collected under the Foreign Account Tax Compliance Act (FATCA), multinational companies' country-by-country tax reports collected pursuant to OECD standards, and digital asset reporting.

The IRS should be adequately funded to improve its offshore tax enforcement work.

The IRS must be empowered to adequately enforce the law for multinational corporations through new funding. Since 2010, the IRS has lost roughly half of its personnel specializing in complex tax investigations and enforcement cases, which has lowered overall revenue receipts, widened the tax gap, and allowed large corporations to skirt or cross the line of tax avoidance. **Nonenforcement of certain transfer pricing rules *against just ten major multinational corporations alone* has cost the U.S. as much as $600 billion in revenue.** The IRS has recently committed to tripling its audit rate of large corporations in FY2026, but this much-needed enforcement bump is contingent on funding. While some of the $80 billion secured for the IRS in 2022 has since been clawed back by Congress, this funding should be expanded, not withdrawn – particularly given that IRS funding more than pays for itself through additional revenue.