

FLOOR STATEMENT of SEN. CARL LEVIN
On the CUT Loopholes Act
Feb. 7, 2012

Mr. President, today, along with Senator Conrad and others, I am introducing S.2075, the Cut Unjustified Tax Loopholes Act, or CUT Loopholes Act. This legislation will help us meet three important goals: Reducing the budget deficit, protecting important priorities, and restoring some of the fairness to our tax system.

Our legislation would reduce the deficit by \$155 billion. It would do so by closing tax loopholes that favor wealthy individuals and corporations while raising the tax burden that American families must carry. It would provide more than enough revenue to pay for full-year extension of the payroll tax cut now in place, or put a significant dent in the deficit reduction we need to avoid draconian automatic cuts through sequestration.

It is clear to almost everyone that revenue must be a part of our deficit reduction strategy. Presidents from Reagan to Bush Sr. to Clinton have used balanced strategies that included revenue as well as spending cuts

I will continue to fight for a number of other revenue measures, such as a surtax on millionaires and billionaires; eliminating tax subsidies for oil and gas companies; ending the Bush-era tax cuts for those earning more than \$250,000; and ending the carried interest loophole. We need to make those changes. But so far, they have run into an ideological brick wall, as to many here in Congress refuse to consider reasonable revenue measures. But even that rigid ideological stance should allow for ending the kinds of egregious loopholes we're discussing today.

First is offshore tax haven abuse. The Permanent Subcommittee on Investigations, which I chair, has spent years shedding light on how these abuses aid the wealthy and corporations. Based in part on S.1346, the Stop Tax Haven Abuse Act, our bill would, in part: Give Treasury the authority to combat tax haven banks and jurisdictions that help U.S. clients hide assets and dodge U.S. taxes; crack down on offshore corporations that are managed from the U.S. from claiming foreign status to dodge taxes; eliminate tax incentives for moving U.S. jobs overseas or for transferring intellectual property offshore; and establish the presumption that, unless a taxpayer proves otherwise, a corporation formed by, receiving assets from or benefitting a U.S. taxpayer is considered under that taxpayer's control for tax purposes.

These provisions and others would reduce deficit by at least \$130 billion over 10 years.

Our bill's second focus is on a tax loophole that subsidizes corporations giving stock options to corporate executives. Today, corporations can take massive tax deductions for stock options, but usually show much lower expense on their books. Our subcommittee found that from 2005-2009, this loophole allowed excess tax deductions ranging from \$12 billion to as high as \$61 billion in a single year.

The CUT Loopholes Act would prevent corporate income tax deductions for stock options that exceed the expense shown on company books. It would preserve current tax treatment for individuals receiving options and for incentive stock options used by start-ups companies.

According to Joint Committee on Taxation, these measures would reduce deficit by \$25 billion over 10 years.

Mr. President, the time for these measures is now.

First, the math is inescapable. We can't reduce the deficit and do other important things – protect our country, care for our seniors, educate our young – if tax revenue remains at its lowest level in decades, and if the effective corporate tax rate is at historic lows, thanks in part to these and other tax loopholes.

Second, there is a growing recognition among Americans that loopholes like these and many, many others leave the deck stacked against them and their families. Overwhelmingly Americans tell us: Close those loopholes down.

Third, this is not just a realization by Democrats. Strong majorities of independents and Republicans say that we need balanced deficit reduction, and that closing loopholes is one way to do that. Just this week, a national poll showed that 90 percent of small business owners – a majority of them Republicans – believe big corporations use loopholes to avoid taxes that small businesses still have to pay.

Reducing the deficit and protecting important programs is hard. We face many tough decisions and difficult fights in the months ahead.

But this decision should be easy. We should close these loopholes and make a bipartisan statement that we can reduce the deficit, serve important priorities and restore fairness to the tax code.