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Senators introduce bill to close offshore tax loopholes

Stop Tax Haven Abuse Act could provide revenue as part of balanced sequestration replacement

WASHINGTON – Sen. Carl Levin, D-Mich., chairman of the Senate Armed Services Committee and the Senate Permanent Subcommittee on Investigations, and three cosponsors today will introduce legislation to close a host of offshore corporate tax loopholes, make the tax code fairer for small businesses and families and provide part of the foundation for a balanced deficit-reduction package to end sequestration.

The Stop Tax Haven Abuse Act, cosponsored by Sheldon Whitehouse, D-R.I.; Mark Begich, D-Alaska; and Jeanne Shaheen, D-N.H.; would provide in the neighborhood of $220 billion in additional revenue over 10 years, according to estimates from the Joint Committee on Taxation, by ending a series of tax gimmicks uncovered in a decade of work by the Permanent Subcommittee on Investigations.

The bill would stop tax-avoidance schemes such as transferring valuable intellectual property and the income they generate to offshore subsidiaries and the practice of setting up offshore shell corporations – often nothing more than a post office box – to claim foreign status for tax purposes.

“These corporate tax loopholes are unfair to domestic companies, small business and the families who must carry the extra burden that results when large multinational corporations use complex gimmicks to avoid taxes,” Levin said. “We should end these loopholes regardless of our budget situation, because they are blatantly unfair. But surely now, with sequestration continuing to damage military readiness, education, life-saving medical research and more, we should end these offshore tax avoidance schemes and use the revenue as part of a balanced plan to replace sequestration.”

“Big corporations shouldn’t be allowed to play games with the tax code and benefit from shipping jobs overseas,” Whitehouse said. “This bill would force corporations that are dodging their responsibilities to pay their fair share of taxes, and create an even playing field for American companies that already play by the rules.”

“Small businesses are the backbone of our economy, but without a level playing field, large multinational corporations are allowed a leg up by circumventing the system and avoiding taxes,” said Begich. “This common sense bill will go a long way to closing these unfair loopholes and restoring fairness, transparency and essential revenue to our economy.”

“We need to make the tax code fairer by eliminating offshore tax loopholes for big corporations,” Shaheen said. “Middle class families and small business shouldn’t carry the burden of these loopholes that only benefit large corporations and the wealthiest Americans.”

The bill would:

- Crack down on the use of intellectual property transfers as tax-avoidance tools by taxing excess income earned from transferring intellectual property to offshore subsidiaries;
- Give the Treasury Department important new weapons to fight against foreign governments and financial institutions that aid tax avoidance, including the ability to prohibit U.S. banks from doing business with foreign banks in jurisdictions that impede U.S. tax enforcement;
- Require SEC-registered corporations to disclose employment, revenues and tax payments on a country-by-country basis;
- Eliminate the tax incentive for companies to move jobs and operations offshore by limiting their ability to claim immediate tax deductions for expenses related to those offshore operations while deferring the U.S. tax on the income those operations generate;
- Repeal what are known as the “check-the-box” and “CFC look-through” rules, which allow multinationals to avoid U.S. taxes they would otherwise owe by making offshore subsidiaries disappear for tax purposes, turning taxable passive income into tax-deferred active income; and
- Prevent multinationals from using short-term loans from their offshore subsidiaries to essentially repatriate income while avoiding taxes that should apply to repatriated money.

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