97 Nonprofit Organizations Support the Disclosure of Tax Havens and Offshoring Act (H.R. 3007)

Updated: May 17, 2021

RE: Disclosure of Tax Havens and Offshoring Act (H.R. 3007)

Dear Chairwoman Waters and Ranking Member McHenry,

We, the undersigned organizations, strongly urge you to advance the Disclosure of Tax Havens and Offshoring Act (H.R. 3007). This crucial legislation would require large, publicly-traded corporations to disclose high-level financial information (i.e., profits, revenues, taxes, number of employees, and assets) on a country-by-country basis to better inform taxpayers, investors, policymakers, academics, and other stakeholders. 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 ongoing COVID-19 pandemic has laid bare the ramifications of the global race to the bottom on taxes, which has drained government coffers, hollowed out our public health and social services, and given rise to levels of economic inequality not seen since the Gilded Age. Certain companies profiting the most during the pandemic – like Microsoft, Google, or Facebook, which saw their profits surge since the start of the crisis[1] – have a history of avoiding federal income tax. They are not outliers. "Building back better" requires more than a health care response to the pandemic: it requires reimagining a fairer tax system that works for all.

Even before this crisis, copious studies found that large, multinational corporations in the United States and elsewhere use provisions in the tax code to shift profits and avoid paying taxes that they would otherwise be required to pay. The Organization for Economic Cooperation and Development (OECD) estimates the annual losses globally from tax avoidance to be in the hundreds of billions of dollars – with the U.S. experiencing some of the biggest losses in revenue.[2] Analysis from the Institute on Taxation and Economic Policy revealed that 91 profitable Fortune 500 companies paid no U.S. federal income taxes in 2018, while another 56 such companies paid between 0 and 5 percent.[3] The U.S. Treasury Department estimates revenue losses from multinational tax avoidance to be at least $60 billion a year.[4] Aggregate data from the U.S. Internal Revenue Service pulled from the initial reports filed by corporations under the OECD's current country-by-country reporting

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1 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.

2 Alex Cobham, "Estimating tax avoidance: New findings, new questions," *Tax Justice Network*, March 22, 2017, https://www.taxjustice.net/2017/03/22/estimating-tax-avoidance-questions/.

3 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/.

4 U.S. Treasury, "The Made In America Tax Plan," April 2021, p. 11, https://home.treasury.gov/system/files/136/MadeInAmericaTaxPlan_Report.pdf

framework show that, in 2017, more profits were booked in known tax haven countries (including the Cayman Islands, Bermuda, and Singapore) by U.S. multinationals than in China, Canada, and Mexico — the three largest U.S. trading partners.

This tax haven abuse makes it much harder for federal and state agencies to help their constituents overcome the COVID-19 pandemic. Such enormous revenue drain increases the pressure on lawmakers to heed the call to cut public services that are vital to a functioning economy and the COVID-19 response or unfairly shift the tax burden to other taxpayers, such as those who are less able to pay (including those suffering most from the pandemic). Either option leads to regressive fiscal regimes which exacerbate economic inequality and undermine the COVID-19 recovery effort.

The Disclosure of Tax Havens and Offshoring Act is an important step in reversing the wealth drain from multinational tax avoidance. The legislation would require multinational companies to publish the country-by-country reports 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.

Increasing tax transparency through public disclosure will induce large corporations to clean up the most questionable tax practices — boosting revenues to combat the economic and health ramifications of the virus, invest in infrastructure, and other priorities. We have already seen this in the European Union, which required large banks operating in member states to publicly report certain profit and tax information on a country-by-country level. After accounting for all other factors, transparency alone pushed these financial institutions to move away from their most aggressive tax avoidance schemes — resulting in a rise in their effective tax rates, according to an academic review.[5]

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 reform measures are necessary.

It will help investors gauge the value of companies. Projecting tax liabilities is crucial to price a company as taxes represent about a quarter of after-tax profits. Yet taxes are a black-box to investors, who can't assess which companies are vulnerable to changes in tax law or tax enforcement in the United State or abroad.

Publicly available country-by-country reports will also advance knowledge in other areas of public policy than tax as well as in economics, business management and other academic disciplines.

We thank you for taking our views into account. If you have questions, please feel free to contact Robert Stewart at rstewart@citizen.org.

Sincerely,

[5] Overesch, Michael and Wolff, Hubertus, Financial Transparency to the Rescue: Effects of Country-by-Country Reporting in the EU Banking Sector on Tax Avoidance (February 8, 2019). Available at SSRN: https://ssrn.com/abstract=3075784 or http://dx.doi.org/10.2139/ssrn.3075784.

Accountability Counsel

AFL-CIO

Africa Faith & Justice Network

AfricaFocus Bulletin

American Family Voices

American Federation of Government Employees (AFGE)

American Federation of Teachers (AFT)

Americans for Democratic Action (ADA)

Americans for Financial Reform

Americans for Tax Fairness

Asia Initiatives

Association of Concerned Africa Scholars USA

Campaign for America's Future

Center for International Environmental Law (CIEL)

Center for International Policy

Center for Popular Democracy

Citizens for Responsibility and Ethics in Washington (CREW)

Communication Workers of America (CWA)

Congregation of Our Lady of the Good Shepherd, U.S. Provinces

Consumer Action

Corporate Accountability Lab

Crude Accountability

Daily Kos

DC Dorothy Day Catholic Worker

Demand Progress

Democrats.com

Economic Policy Institute

Environmental Investigation Agency

Financial Accountability and Corporate Transparency (FACT) Coalition

Fair Share

Faith Action Network of Washington State

For the Long Term

Friends of the Earth U.S.

Fund for Constitutional Government

Gender Action

Global Alliance for Tax Justice

Global Financial Integrity

Government Accountability Project

Gray Nuns of the Sacred Heart

Greenpeace USA

Healthcare for America Now (HCAN)

Institute for Policy Studies - Program on Inequality and the Common Good

Institute on Taxation and Economic Policy (ITEP)

Interfaith Center on Corporate Responsibility

International Brotherhood of Teamsters

International Federation of Professional & Technical Engineers (IFPTE), AFL-CIO

International Rights Advocates

IUE-CWA

Jobs with Justice

Jubilee USA

Liberty Shared

Maryknoll Office for Global Concerns

Missionary Oblates

MomsRising

NAACP

National Advocacy Center of the Sisters of the Good Shepherd

National Education Association

National Employment Law Project

National Organization of Women

NETWORK Lobby for Catholic Social Justice

Never Again Coalition

New Rules for Global Finance

Open Contracting Partnership

Oxfam America

Patriotic Millionaires

Peace Education Center

Progressive Change Institute

Project Blueprint

Project Expedite Justice

Project on Organizing, Development, Education, and Research (PODER)

Public Citizen

Publish What You Pay - US

RESULTS

Revolving Door Project

Rights and Accountability in Development (RAID)

Rights CoLab

RootsAction.org

Service Employees International Union (SEIU)

Seventh Generation Interfaith Coalition for Responsible Investment

Sisters of Charity of Saint Elizabeth

Sisters of St. Francis of Philadelphia

Strong Economy for All Coalition

Take on Wall Street

Tax Justice Network

Tax Justice Network Africa

Tax Justice Network USA

Tax March

The International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW)

The Shareholder Commons

Union Veterans Council, AFL-CIO

UNITE HERE

United Church of Christ, Justice and Witness Ministries

United Steelworkers

US PIRG

US-Africa Bridge Building Project

Voices for Progress

Working Partnerships USA