

Opening Statement of Chairman Sheldon Whitehouse
Senate Committee on the Budget
The Great Tax Escape: Closing Corporate Loopholes that Reward Offshoring Jobs and Profits
January 17, 2024

Last year, the Budget Committee held several hearings addressing how tax cuts for large multinational corporations and ultra-wealthy individuals have worsened income and wealth inequality in this country, and hurt small businesses, and blown a massive hole in the federal budget, creating enormous budget deficits.

We have proposals on this side of the dais to raise revenue from the ultra-wealthy and large corporations; these proposals would place us on a sounder fiscal footing and make our tax code fairer. I've invited my Republican colleagues to put forward their own tax fairness and revenue proposals, an invitation I renew today.

Today's hearing is about how giant multinational corporations avoid taxes by stashing profits in international tax havens, and how the Trump tax law made this offshoring worse. One example: a few years after the Trump tax scam took effect, U.S. multinational corporations reported nearly \$40 billion worth of profits in Bermuda — about six times Bermuda's entire economy.

The victims of this obvious tax scam are American workers who lose jobs, small businesses who pay their taxes, and kids and grandkids who get saddled with additional federal debt. In the words of Dr. Clausing, who joins us today, the Trump tax law's offshoring provisions are "America last" tax policy.

How is this even legal?

For decades, loopholes in U.S. tax law let companies use accounting tricks to move profits earned here in the United States to offshore tax havens. The Trump tax scam supercharged the offshoring incentive, claiming to set guardrails that many pointed out were doomed from the start.

Spoiler alert: the guardrails didn't work. No surprise, with the offshore tax breaks baked into the law, that U.S. multinationals reported nearly 60% of their foreign profits in 15 tax havens in 2020, dwarfing what they reported in countries where they did real business.

It gets worse.

The new Trump tax law didn't just help companies stash profits in sham shell companies, it created new incentives for offshoring real jobs and investment. These offshoring provisions created jobs alright; just not in America.

Here's how the scam works:

- If a multinational funnels its profits offshore, it gets a half-off discount on its taxes in the shell entity.

- Then come the exemptions. Build a factory overseas, and pay 0% on a portion of the foreign profits. The more factories overseas, the more avoided tax. And because our friends always take care of Big Oil, big oil companies get a special added 0% carveout.
- The best dodge is a combo, of factories in foreign countries, and sham subsidiaries in tax havens like the Cayman Islands or Bermuda.

This is happening right now.

Senator Wyden investigated Big Pharma's tax dodging and showed how tax gimmicks let big corporations get away with paying almost nothing in taxes. One example: Pharma giant AbbVie is an American company, that makes 72% of its sales to Americans. But with a subsidiary in Bermuda and manufacturing facilities in Puerto Rico, Singapore, and the Netherlands, it reported 100% of its profits offshore in 2019. After the Trump tax scam passed, AbbVie's CEO bragged to investors that it would cut their tax rate in half. Sure enough, Senator Wyden's investigation found that AbbVie had a tax rate of just 8.6% in 2019 – well below what small businesses, teachers and firefighters contribute.

When multinationals make the Great Tax Escape, everyone else pays the price.

Offshore tax breaks hurt American workers by sending jobs overseas. Sure enough, since the Trump tax scam passed, multinational corporations have increased foreign investment more than domestic investment.

The tax scam hurts small businesses who pay their taxes, but must compete with big multinationals using sophisticated tax lawyers and accountants to game the system.

Even large domestic companies can be hurt. Here's a statement from Rhode Island-headquartered CVS, a purely American company that has to watch big international companies use offshore tax scams to pay less tax.

These offshore loopholes add hundreds of billions of dollars to the deficit every year. If you're looking for a way to reduce federal debt and bring jobs and investment back to America, removing a tax scam that rewards offshoring is an obvious solution.

We can do that. My No Tax Breaks for Outsourcing Act would shut down the scam. It's simple: U.S. multinationals would pay the same tax rate on foreign profits as real American businesses pay. The Biden Administration; Sens. Wyden, Warner, and Brown; and Sen. Sanders all have related proposals.

Each plan would implement the global minimum tax agreement negotiated by Secretary Yellen to end the international race to the bottom in corporate tax rates. It will boost the competitiveness of American domestic businesses of all sizes, and boost America's competitiveness as a place for jobs and investment. It even boosts the competitiveness of U.S.-headquartered multinationals, because foreign competitors will pay a minimum tax on foreign profits.

America can't compete with a 0% tax rate in some offshore tax haven – and we shouldn't let that scam persist. Corporations should contribute a fair share to American infrastructure, national

defense, and education — investments that help make America the best place in the world to do business. When we stop the offshoring tax scam, America – and Americans – win.