



UNITED STATES SENATE
BUDGET COMMITTEE
RANKING MEMBER CHUCK GRASSLEY

**Prepared Remarks by Senator Chuck Grassley of Iowa
Ranking Member, Senate Budget Committee
Delivered on Grassley's Behalf by Senator Ron Johnson of Wisconsin
Hearing titled, "The Great Tax Escape: Closing Corporate Loopholes that Reward
Offshoring Jobs and Profits"
Wednesday, January 17, 2024**

Mr. Chairman,

Thank you for calling today's hearing on our international tax system.

The subject of this hearing is a blast from the past. The issue of corporations shifting profits and operations offshore was a problem Senator Baucus and I explored regularly, as either Chair or Ranking Member of [the Senate] Finance [Committee], for much of the 2000s.

The most egregious abuses included companies switching their headquarters offshore, in name only, for the primary purpose of avoiding U.S. tax. To stem the tide of these so-called "corporate inversions," Senator Baucus and I spearheaded anti-inversion legislation enacted in 2004.

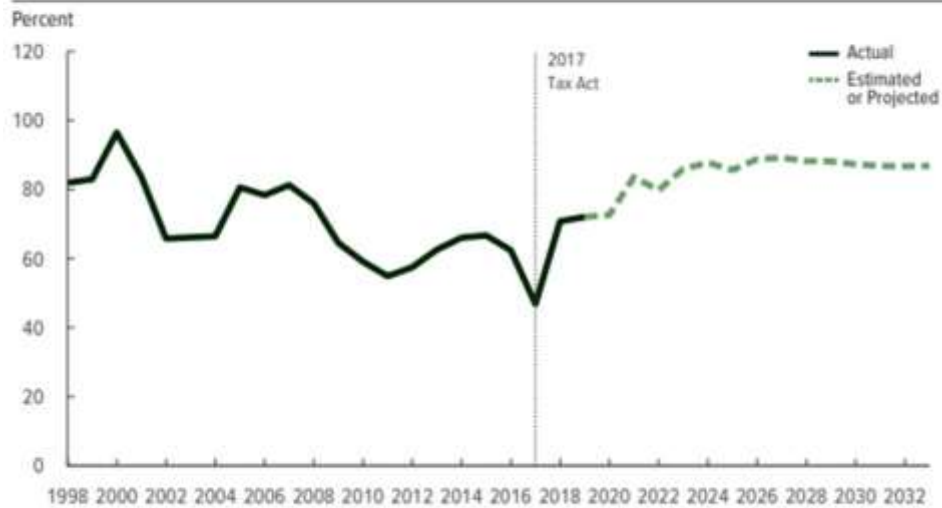
However, we understood that ending inversions and other abuses for good would require reforming our uncompetitive corporate tax code. Over the following 12 years, a bipartisan consensus emerged that our high corporate tax rate coupled with an outdated worldwide system of taxation needed to go. But legislative action remained elusive.

Our corporate tax system was being strained to its breaking point. We faced a resurgence of corporate inversions, tax motivated foreign takeovers, and a shrinking corporate tax base.

Then, in 2017, Republicans enacted the *Tax Cuts and Jobs Act* to modernize our international tax system and bring our corporate tax rate in line with other developed nations. This included enacting strong anti-base-erosion and profit-shifting rules.

These reforms reversed a decades-long trend of a shrinking corporate tax base – driven, in part, by corporate profit shifting and base erosion practices. As shown by this chart, CBO now projects our corporate tax base to be on the verge of becoming larger than at any time in the past 20 years.

The Corporate Tax Base as a Share of Economic Profits Before and After Enactment of the 2017 Tax Act

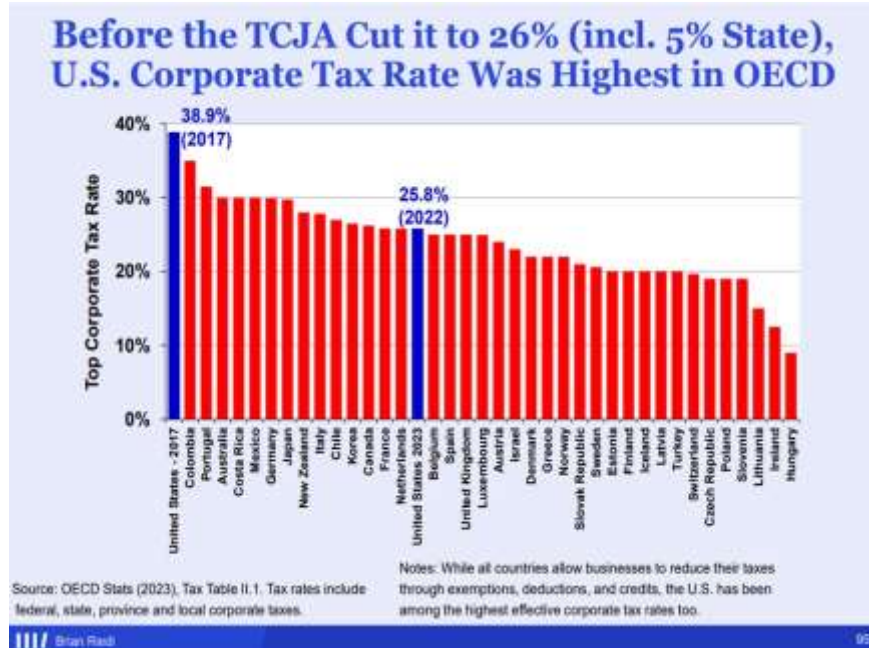


Source: CBO "Trends in Corporate Economic Profits and Tax Payments, 1998 to 2017" May 2023

As explained by a 2023 paper published in the Contemporary Accounting Research journal, under our previous tax code foreign income was “heavily tax-favored.” This research confirms our reforms largely eliminate this tax bias.

Moreover, the adoption of a lower corporate tax rate and other pro-growth reforms made the U.S a more attractive place for both domestic and foreign investment.

Some Democrats have tried to demonize these reforms – particularly the lowering of the corporate tax rate from 35 percent to 21 percent – as a supposed radical right-wing corporate tax giveaway. But, what they don’t tell you is these reforms merely moved the U.S. from being a high-tax outlier amongst our major trading partners to the middle of the pack.



The truth is, the *Tax Cuts and Jobs Act* was a thoughtful and measured response to problems that plagued our corporate tax system for decades – and it worked.

Upon its passage, companies called off inversion plans. And there have been no reports of major inversion transactions since.



According to a study recently released by the National Bureau of Economic Research, the *Tax Cuts and Jobs Act* significantly boosted domestic investment contributing to higher wages and economic growth.

Jason Furman, who was President Obama’s Chair of Economic Advisors, responded to the robust evidence in this paper exclaiming “taxes actually do matter” along with a series of online posts praising the study.

I support continuing to explore options to further improve our international tax system. But, proposals included in President Biden’s proposed budgets to Congress would take America’s tax code backwards.

President Biden wants to take us back to having the highest corporate tax rate among our major trading partners. And back to an international tax system that puts U.S. companies at a disadvantage in overseas markets – while also surrendering our sovereignty and tax base to foreign nations.

This means lower wages and lost jobs. This, I cannot support.

Thank you, I look forward to hearing from all the witnesses.

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