**Sign-on Letter**

**Close Offshore Corporate Tax Loopholes – Invest in the U.S.**

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DATE

Dear Senator [NAME]:

As the U.S. Senate debates spending priorities and the budget sequester this fall, raising revenue by closing unjustified tax loopholes used by the wealthy and corporations should be at the top of every lawmaker’s list.

President Obama and Congress have already [cut $1.8 trillion in spending (including interest) and raised just $600 billion in new tax revenues](http://www.budget.senate.gov/democratic/index.cfm/files/serve?File_id=ee2613d9-cf20-402c-8a65-e1b670b21fa0). That’s $3 in cuts for every $1 in new revenue, an outcome that is neither balanced nor fair. Meanwhile, corporations have not contributed a dime to reduce the deficit and no corporate tax loopholes have been closed.

We write to express our strong support for the **Stop Tax Haven Abuse Act (S. 1533), introduced by Sen. Carl Levin (D-MI), and ask that you become a co-sponsor of this important legislation**. It would [raise $220 billion over ten years by closing numerous tax loopholes](http://www.levin.senate.gov/newsroom/press/release/senators-introduce-bill-to-close-offshore-tax-loopholes/?section=alltypes) that encourage U.S. corporations to move jobs, profits and operations offshore and avoid paying their fair share of taxes. Congress is facing tough choices about our government’s budget, but these loopholes should be considered easy targets.

Passage of this legislation is critical for several reasons:

* **Corporations should pay their fair share of taxes.** Large American corporations – such as [American Express, Apple, Dell, Eli Lilly, Microsoft, Nike](http://www.ctj.org/ctjreports/2013/06/apple_is_not_alone.php) – hold their profits in offshore tax havens because they are taxed very little or not at all. The cost to taxpayers of offshore tax-avoidance by corporations is estimated to be nearly [$100 billion a year](http://taxprof.typepad.com/files/136tn0281.pdf), according to academic experts. All told, U.S. companies have almost [$2 trillion in profits offshore](http://www.bloomberg.com/news/2013-03-08/offshore-cash-hoard-expands-by-183-billion-at-companies.html), much of it in tax havens where they conduct no real business, but have set up a shell company that is often nothing more than a P.O. Box. In fact, [18,857 corporate entities are registered at one modest five-story building in the Cayman Islands](http://www.gao.gov/new.items/d08778.pdf).
* **By closing some of the most egregious offshore tax loopholes,** S. 1533 would save taxpayers $220 billion **– enough to replace the next round of budget sequester cuts, invest in America and improve our nation’s finances.** The Congressional Budget Office estimates [we will lose another 800,000 jobs in 2014](http://cbo.gov/publication/44630) due to the $110 billion in new cuts to benefits and services under the sequester. Our economy – and our families – cannot afford that.
* **America should stop giving corporations tax subsidies to export jobs.** Multinational corporations are currently allowed to indefinitely “defer” paying U.S. taxes on their foreign profits, and this tax loophole acts as a powerful incentive to shift profits and jobs overseas. The Levin bill does not go so far as to repeal the tax deferral loophole, as would a bill introduced by Sen. Sanders (S. 250) that would raise $583 billion over the next decade. However, enactment of S. 1533 would be an important step in limiting incentives for multinational corporations to shift jobs and profits offshore.
* **We need to level the playing field between big corporations and small businesses.**

Tax-haven abuse by large multinational corporations puts small businesses – and even large domestic firms – at a competitive disadvantage in the marketplace. Along with individual taxpayers, they must shoulder the additional tax bill or face a reduction in public services that they depend on. The average small business would pay an extra $3,000 a year to cover the cost of offshore tax dodging by large corporations, according to a [U.S. PIRG report.](http://uspirg.org/reports/usp/picking-tab-2013) Middle class workers and small businesses that play by the rules and take responsibility for paying their fair share should not have to subsidize companies like Apple and Nike.

Fortunately, the Stop Tax Haven Abuse Act would close many of the tax avoidance loopholes commonly used by some of America’s largest and most profitable companies. For example:

* Apple made profits of $74 billion from 2009-2012 on worldwide sales (excluding the Americas) and [paid virtually *nothing* in taxes to any country](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CCoQFjAA&url=http%3A%2F%2Fwww.levin.senate.gov%2Fdownload%2Fexhibit1a_profitshiftingmemo_apple&ei=lrTRUYGLHY3j4AOYzIGgDg&usg=AFQjCNGKCOvIkFyQRc7ZGIzvgiA5Q4gTJA&sig2=5f-EnbODlnX9PztCHIodgQ&bvm=bv.48572450,d.dmg), according to the U.S. Senate Permanent Subcommittee on Investigations (PSI). The sales were attributed to Irish subsidiaries, where the companies paid a tax rate of less than 1%.
* Microsoft avoided paying at least [$6.5 billion in U.S. taxes from 2009 to 2011](http://www.hsgac.senate.gov/download/?id=7B9717AF-592F-48BE-815B-FD8D38A71663) using offshore tax loopholes, according to the U.S. Senate PSI.
* Hewlett-Packard [essentially funded its operations for four years, tax-free](http://www.levin.senate.gov/newsroom/speeches/speech/opening-statement-at-psi-hearing-offshore-profit-shifting-and-the-us-tax-code), by using two offshore subsidiaries—in Belgium and the Cayman Islands—that made alternating short-term loans of billions of dollars to the parent company, according to the U.S. Senate PSI.
* [Nike has $6.7 billion in profits “permanently reinvested” in shell companies overseas, on which it has paid zero U.S. income tax](http://www.ctj.org/taxjusticedigest/archive/2013/07/nikes_tax_haven_subsidiaries_a.php#.Uj9MlYVOQ7A)es and paid practically no foreign tax as well, according to the nonpartisan research organization Citizens for Tax Justice.

Cracking down on offshore tax abuses should be at the top of the congressional “to do” list. Closing these loopholes can provide a means to replace the sequester, reform the tax code, reduce the deficit and rebuild roads and bridges. Please stand with us by co-sponsoring the Stop Tax Haven Abuse Act to ensure that corporations begin to pay their fair share of taxes.

Sincerely,

*List in formation*

AFL-CIO

American Federation of State, County and Municipal Employees

American Federation of Teachers

Americans for Tax Fairness

American Sustainable Business Council

Center for American Progress

Citizens for Tax Justice

Coalition on Human Needs

Financial Accountability & Corporate Transparency (FACT) Coalition

Jubilee USA Network

Leadership Conference on Civil and Human Rights

Main Street Alliance

National Education Association

National People’s Action

National Women’s Law Center

Service Employees International Union

U.S. Public Interest Research Group