August 17, 2011

Chairmen Patty Murray & Jeb Hensarling
Joint Special Select Committee on Deficit Reduction

448 Russell Senate Office Building
Washington, DC 20510

129 Cannon HOB
Washington, DC 20515

Joint Special Select Committee Should Prioritize Closing $1 Trillion in Corporate Tax Loopholes

Dear Chairmen Murray and Hensarling:

On behalf of the Greenlining Institute, we urge the Committee to focus on collecting over $60 billion in corporate federal income taxes that currently go uncollected. We do not have to choose between raising taxes on the rich or the poor. We just need to make sure highly profitable corporations pay their fair share of taxes.

In our recently released report, *Corporate America Untaxed* [www.greenlining.org/resources/pdfs/CorporateAmericaUntaxed.pdf], The Greenlining Institute found that America's richest multinational corporations are avoiding $60 to $100 billion a year in taxes by hiding $1 trillion in profits overseas. All the while, Fortune 100 corporations alone received close to $90 billion in taxpayer-funded federal contracts. Reducing the budget deficit by cutting Medicare, food safety, education, and health without collecting another dime from these wealthy corporations is wrong and misguided.

In our report, we found 77 of Fortune 100 companies have at least one operation in countries that are designated as tax havens. Today, Americans on average pay over 20 percent of their income in federal taxes, while Exxon pays 14 percent, IBM pays less than four percent, and General Electric and DuPont paid virtually nothing in federal income tax last year. Many of these companies get huge contracts from the federal government.

Closing tax loopholes will generate $1 trillion in tax revenue between 2012 and 2021

If Congress tightened the tax code to prevent corporations from moving profits offshore, the country could collect up to $1 trillion in tax revenue between 2012 and 2021 without having to raise taxes for any individual.

At a time when leaders from both parties are rightly concerned about jobs, this additional tax revenue could pay for 1.2 million public school teachers annually. Or it could cover public college tuition for more than 8.5 million students each year, helping our workforce get jobs. Alternatively, it could pay for the annual budgets of the Departments of Labor, Energy and the EPA combined.

Much has been made of the 35 percent U.S corporate income tax rate, but by moving profits offshore, many companies pay much less -- zero in some cases -- making the 35 percent rate a fiction. In fact, the U.S. government collects less in corporate taxes as a share of its GDP than all but two of the 26 developed countries in the world.

Much of this is accomplished through subsidiaries – often shells with little more than a post office box – in places like Bermuda and the Cayman Islands.

Solution: Investigate corporate tax avoiders receiving billions in federal contracts

Based on our research, we recommend that this Committee tighten the laws to prevent tax avoidance and evasion practices. Congress should not award taxpayer-funded federal contracts to tax evaders. The Committee should investigate whether corporations receiving federal contracts are actually paying their fair share of their profits back to the American people, and should make sure they are doing so before cutting vital programs.

Corporations that received billions of dollars in federal contracts while abusing tax havens to avoid paying federal income taxes include the following:

- General Dynamics received $15 billion in federal contracts in 2010 while having 14 subsidiaries in tax haven countries;
- United Technologies received $7.6 billion and had 11 subsidiaries in tax havens;
- General Electric received $3 billion and had 14 subsidiaries in tax havens;
- Hewlett-Packard received $1.8 billion and had 17 subsidiaries in tax havens;
- Pfizer received $993 million and had 106 subsidiaries in tax havens; and
- Merck received $992 million and had 97 subsidiaries in tax havens.

Sen. Carl Levin (D-Mich.) has proposed legislation targeting this problem, the Stop Tax Haven Abuse Act in the U.S. Senate, and over 40 Members of the House, led by Representatives Lloyd Doggett (D-Tex.), Sander Levin (D-Mich.) and Rosa DeLauro (D-Conn.), introduced similar legislation in the House of Representatives. We urge the Committee to make such legislation the centerpiece of any deficit reduction plan instead of further catastrophic cuts that will harm our most vulnerable citizens and our economy.

Sincerely,

Samuel S. Kang
General Counsel

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Legal Associate