

34 National Organizations Opposed to House Ways & Means Committee Tax Extenders Legislation

April 28, 2014

Dear Ways and Means Committee Member:

We are writing to urge you to **not renew and make permanent two big corporate tax loopholes worth \$79 billion over 10 years** that give tax breaks to companies that ship profits and jobs offshore. These two temporary loopholes – known as the Active Financing Exception (H.R. 4429) and the CFC Look-Through Rule (H.R. 4464) – are expired tax-extendors that primarily benefit a small number of multinational corporations.

The six tax extender bills the committee will consider during its markup on Tuesday will cost an estimated \$309 billion between 2014 and 2024, according to the Joint Committee on Taxation. Incredibly, this is half the revenue generated over 10 years when the Bush tax cuts were ended for the richest 1 percent of Americans in the fiscal cliff deal last year.

This cost will be added directly to the deficit. We do not understand how the Committee can consider making these tax breaks permanent and not require that they be paid for, while many in the House of Representatives have demanded that other vital investments be paid for.

Providing federal unemployment insurance benefits when long-term unemployment rates are high is an emergency measure that strengthens the economy; yet the House majority has refused to restore these expired benefits because of costs. House leaders also required that any increase in spending under the budget sequester deal last December had to be paid for by equal cuts in other spending. If these are the standards applied to vital services and benefits, surely the same standards should be applied to these six corporate tax breaks.

We are especially troubled by the two tax loophole bills being considered, which would allow companies to stash profits offshore where they avoid U.S. taxation:

H.R. 4429, Subpart F Active Financing Exception (Cost: \$59 billion, 2014-2024). This loophole lets corporations (primarily financial institutions such as GE Capital, Wall Street banks and insurance companies) avoid paying taxes to any nation on their financial income they earn (or claim to earn) in foreign countries, so long as those profits remain officially offshore. [See [Citizens for Tax Justice](#) and [Americans for Tax Fairness](#) fact sheets] This is part of the reason that GE, which made \$27.5 billion in profits from 2008-2012, got a total of \$3.1 billion in federal tax refunds and paid an effective tax rate of minus 11.1 percent over that period, [according to Citizens for Tax Justice](#).

H.R. 4464, Controlled Foreign Corporations (CFC) Look Through Rules (Cost: \$20 billion, 2014-2024): This loophole allows multinationals to create transactions purely for “earnings

stripping” – to create dividends, interest, rents, and royalties to strip active income out of high-tax countries and move it into low-tax or no-tax countries without incurring any U.S. tax liability (or any tax liability anywhere). The rules also allow U.S. multinationals to create “stateless income,” which is treated, for tax purposes, as earned in a low-tax (or no-tax) country, where the company’s operations may consist only of renting a mailbox, instead of in the countries where the employees and assets are located. [See [Citizens for Tax Justice](#) and [Sen. Carl Levin, S. 1533, Section 304](#)]

Finally, it is unacceptable for the Committee to be focusing on making permanent a small subset of business tax breaks for corporations and Wall Street without considering making permanent other critical provisions for families, such as the 2009 improvements to the EITC and Child Tax Credit that 26 million children in 13 million families depend on, or tax relief for people who are taking a loss by selling their homes that have underwater mortgages.

Again, we urge to not make any of these business tax extenders in the six bills before you permanent unless they are paid for. And we urge you to oppose H.R. 4429 and H.R. 4464 entirely, because Congress should not be giving tax breaks to companies that ship profits and jobs offshore.

Sincerely,

List in formation

AFL-CIO

Alliance for a Just Society

Alliance for Early Childhood Finance

Alliance for Retired Americans

American Federation of Government Employees

American Federation of State, County and Municipal Employees

American Federation of Teachers

Americans for Democratic Action

Americans for Tax Fairness ([a coalition of 400 organizations](#))

Campaign for America’s Future

Center for Effective Government

Citizens for Tax Justice

Coalition on Human Needs

Economic Policy Institute

Every Child Matters

Fair Share

Friends of the Earth

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

Main Street Alliance

National Education Association

National Employment Law Project

National People’s Action

National Priorities Project
National Women's Law Center
NETWORK, A National Catholic Social Justice Lobby
New Rules for Global Finance
Public Citizen
Promise the Children
Service Employees International Union
UAW, International United Automobile, Aerospace and Agricultural Implement Workers of America
United for a Fair Economy
USAction
Voices for Progress
Working America