

Comments in Support of the Treasury Dept./IRS Earnings Stripping Rule

Via the Federal eRulemaking Portal
Department of the Treasury
Internal Revenue Service
Washington, DC 20044

To Whom It May Concern:

The 34 organizations and an individual that have signed these comments, which represent millions of members, strongly support the proposed rule on the **Treatment of Certain Interests in Corporations as Stock or Indebtedness (REG-108060-15)**, also known as the “earnings stripping” rule.

Multinational corporations use a variety of accounting maneuvers to avoid paying their fair share of taxes. By instituting new rules to curb one of those techniques—earnings stripping—the Treasury Department is promoting equal application of the tax laws while protecting important public revenue. Treasury’s proposed administrative action is both welcome and necessary.

Earnings stripping occurs when the foreign parent of an American subsidiary loads down that subsidiary with unnecessary internal loans, creating tax-deductible interest payments, which reduces the amount owed on U.S. profits. This also has the effect of moving profits out of the United States, often to tax havens, where they are taxed little or not at all. This tax-dodging technique is frequently used in—and, indeed, is often the principal goal of—corporate inversions. But it is not only used with corporate inversions.

Corporate tax dodging is not only unfair, it’s expensive. It’s been estimated that offshore profit shifting by American corporations—a practice of which earnings stripping is a significant part—costs the federal government \$100 billion a year in lost revenue.¹

U.S. corporations have a duty to support with their tax dollars all the public services and infrastructure—from public schools to transportation to our legal system—that make conducting business in this country profitable. The proposed earnings stripping rule will ensure more companies fulfill that duty.

Sincerely,

Agenda Project Action Fund
American Family Voices

¹ Kimberly A. Clauzing, “Profit Shifting and U.S. Corporate Tax Policy Reform” (May 10, 2016).
<http://equitablegrowth.org/report/profit-shifting-and-u-s-corporate-tax-policy-reform/>

American Federation of Government Employees
American Federation of State, County and Municipal Employees
Americans for Democratic Action
Americans for Tax Fairness
American Sustainable Business Council
Association of University Centers on Disability
Carl Levin, former U.S. Senator
Center for Biological Diversity
Citizens for Tax Justice
Coalition on Human Needs
CREDO
Dominican Sisters of Hope
Economic Policy Institute Policy Center
Fair Share
Franciscan Action Network
Institute for Policy Studies
Lake Research Partners
Main Street Alliance
Mercy Investment Services
National Education Association
National Priorities Project
NETWORK
People's Action
Public Citizen
Responsible Wealth
Sisters of Charity of Saint Elizabeth
The Arc
The Other 98%
United for a Fair Economy
Ursuline Sisters of Tildonk
US PIRG
Voices for Progress
Working America