



February 10, 2012

The President of the United States  
The White House

Dear President Obama,

As you prepare to address the urgent issue of corporate tax reform, the Financial Accountability and Corporate Transparency (FACT) coalition and undersigned organizations urge you to address serious inequities created by the U.S. corporate income tax code.

We urge you to recommend a corporate tax overhaul that closes tax loopholes and to reject any proposal to effectively exempt U.S. corporations' offshore profits from U.S. taxes either temporarily (with a repatriation tax holiday) or permanently (with a territorial tax system). Many profitable Fortune 500 companies pay no federal income tax at all – yet some members of Congress are pushing for further cuts to corporate income taxes.

We support proposals such as those included in the recently introduced Cut Unjustified Tax Loopholes Act or "[CUT Loopholes Act](#)," which would put new restrictions on the use of offshore tax havens to avoid and evade federal taxes as well as close other corporate tax loopholes. The bill would address some key offshore tax loopholes by:

- Taxing foreign corporations that are managed and controlled in the U.S. as domestic corporations;
- Greatly reducing the tax incentives for corporations to move operations and profits offshore;
- Increasing reporting requirements for foreign banks, governments and U.S. taxpayers on offshore accounts.

As a Senator, candidate, and as President, you've supported many of the provisions of the CUT Loopholes Act. Some key figures to consider when forming corporate tax reform proposals include:

- 12%: average corporate tax rate on domestic profits (the lowest in decades) according to the [Congressional Budget Office](#), far from the statutory rate of 35%;
- 87%: those individuals surveyed in the [Des Moines Register's Iowa Caucus poll](#) who said corporate tax loopholes should be closed so that every U.S. business pays some taxes;

- 91%: [small businesses surveyed](#) that agree that U.S. multinational corporations' use of accounting loopholes to shift their U.S. profits to their offshore subsidiaries to avoid taxes is a problem, and
- \$100 billion: revenues lost each year due to tax haven use according to the [Senate's Permanent Subcommittee on Investigations](#).

The Administration and Congress should focus on creating jobs and keeping revenues in the U.S. Unfortunately many corporate tax proposals discussed in recent months would result in job loss and decrease the amount of revenue available to make vital public investments in the U.S. by increasing incentives to move jobs and profits offshore.

A "territorial" tax system would reduce revenue and jobs because it would increase the incentives for U.S. corporations to shift profits and jobs overseas. U.S. corporations are allowed to "defer" U.S. taxes on their foreign profits until those profits are brought to the U.S. (until those profits are "repatriated"). As a result, U.S. corporations have a powerful incentive to move operations and jobs offshore or just disguise their U.S. earnings as "foreign" profits by shifting them to an offshore tax haven. Under a territorial tax system, U.S. corporations would *never* pay U.S. taxes on their foreign profits, which would further encourage these abuses. The sensible alternative is for Congress to repeal "deferral" so that corporations are not rewarded for shifting jobs and profits offshore.

A repatriation amnesty for offshore corporate profits would also reduce revenue and jobs by encouraging U.S. corporations to shift more profits and jobs overseas. Some corporations argue that if they cannot convince Congress to exempt their offshore profits from U.S. taxes on a permanent basis (through adoption of a "territorial" system) then Congress should instead eliminate most U.S. taxes on their offshore profits on a temporary basis by enacting a tax holiday for repatriated offshore profits.

Congress enacted a repatriation amnesty in 2004, and the benefits went to dividend payments for corporate shareholders rather than job creation, according to the nonpartisan Congressional Research Service. Many of the corporations that benefited actually reduced their U.S. workforce. The repatriation amnesty proposals being discussed now are very similar to the 2004 measure.

The Joint Committee on Taxation concluded that a repeat of the 2004 measure would cost \$79 billion over ten years. One reason for the projected revenue loss is that Congress will have signaled its willingness to eliminate most U.S. taxes on offshore corporate profits every seven years or so. This will encourage U.S. multinational corporations to shift even more profits and investments offshore and then simply wait for the next repatriation amnesty before bringing the profits back to the U.S.

Cutting loopholes that allow large corporations and high wealth individuals to avoid taxes that are "revenue positive" are needed to address issues that are important to a broad range of taxpayers. The undersigned support tax reform with an interest in seeing the loopholes closed due to their impact on – among other things – jobs, critical programs, small businesses, developing countries, communities, public schools, human rights, corruption, climate finance, deficit reduction, markets and national security.

Before considering cuts to federal spending for public services and investments that businesses and working families rely on, Congress and the Administration should address the tax loopholes that allow profitable corporations and high wealth individuals to avoid federal taxes.

Some corporate leaders complain about the 35 percent corporate income tax rate but fail to mention that the percentage of profits their companies actually pay in taxes is much lower because of the loopholes they enjoy. A recent Congressional Budget Office report indicated that the average corporate tax rate is at 12.1%, and in many cases, we've learned that many organizations, such as Exxon Mobil, Google and General Electric pay little or no taxes in any given year. In fact, a 2007 report from the Treasury Department found "the United States takes a below-average share of corporate income in taxes" compared to other developed countries.

We urge you to look at egregious corporate tax loopholes that reward companies that shift profits and jobs offshore. And we hope you and your team will reject proposals that make the system worse and even more unfair for taxpayers.

Sincerely,

Action Aid USA  
Alliance for a Just Society  
American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)  
Americans for Democratic Action  
American Sustainable Business Council  
Business for Shared Prosperity  
Campaign for America's Future  
Citizens for Tax Justice  
Financial Accountability and Corporate Transparency Coalition  
Friends of the Earth  
Global Financial Integrity  
Jubilee USA  
Main Street Alliance  
Missionary Oblates U.S.  
National Education Association  
New Rules for Global Finance  
Sisters of Charity of Saint Elizabeth, NJ  
South Carolina Small Business Chamber of Commerce  
Tax Justice Network USA  
U.S. Public Interest Research Group  
US UNCUT  
Wealth for the Common Good

For full list of members, please visit [FACT Coalition at  
http://www.tjn-usa.org/current-campaigns](http://www.tjn-usa.org/current-campaigns)