COALITION ON HUMAN NEEDS
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Dear Member of the House Committee on Ways and Means:

The Coalition on Human Needs strongly urges you to reject the six bills before you that permanently extend certain corporate tax expenditures. We object to all of these bills at this time for two important reasons: (1) as the Committee with jurisdiction over Emergency Unemployment Compensation, you are irresponsible in failing to approve the restoration of that program and should take up this growing emergency first; and (2) enacting permanent corporate tax breaks worth about $300 billion over ten years without paying for them and without evaluating their merits individually is contrary to congressional goals of comprehensive tax reform and sensible deficit reduction. It makes no sense to take up these first without considering the greater value to the economy of other provisions (notably the need to make permanent improvements to the low-income tax credits).

Further, two of the bills before you ought not to be enacted at any time, because they lose nearly $80 billion in revenue through FY 2024 for no purpose other than increasing the income of already profitable corporations, and with the likely negative outcome of encouraging the shifting of jobs offshore.

Taken together, these two bills, **H.R. 4429, Subpart F Active Financing Exception** and **H.R. 4464, Controlled Foreign Corporations (CFC) Look-Through Rules,** effectively gut Congress' intent to prevent the tax avoidance corporations achieve by manipulating passive income sources such as interest, dividends, rents or royalties. While international companies are allowed to defer their taxes on "active" sources of income, such as the sales of products, it has been long understood that interest, royalties and the like can easily be shifted to reduce or eliminate tax liability. That is why Congress originally required that those sources of income be immediately subject to U.S. tax. The Active Financing Exception and CFC Look-Through Rules make it possible to shelter these forms of income. There is no justification for placing these gifts to corporations at the head of the line for extensions, and it is even worse that they would be chiseled permanently into law.

Two famous illustrations of the abuse of these provisions show how they result in massive tax avoidance. First, despite profits of $27.5 billion, G.E. paid no federal corporate taxes at all from 2008 – 2012; in fact, they had a negative tax rate of -11.1 percent, according to Citizens for Tax Justice. The Active Financing Exception contributed substantially to their billions in "refundable" tax income. If they had paid the nominal 35 percent corporate tax rate, they would have owed $9.6 billion; instead, they paid nothing and actually got $3.1 billion back in tax refunds, for a total net savings of $12.7 billion, as shown by Americans for Tax Fairness. Second, Google made news by using the CFC Look-Through Rules to concoct the "Double Irish Dutch Sandwich" in 2008, moving $5.4 billion through subsidiaries in Ireland and the

Netherlands to Bermuda, avoiding tax payments in any of those jurisdictions as well as the United States.

The Coalition on Human Needs is made up of organizations representing service providers, faith groups, and many other advocates and policy experts concerned about the needs of low-income and vulnerable people. In addition to Emergency Unemployment Compensation, we see every day many serious unmet needs that are far more important to address than tax breaks that enable profitable corporations to rake in more billions. These expenditures through the tax code create few jobs here; they in fact provide incentives to relocate jobs outside of this country. At the same time, Congress has insisted on preventing expenditures on education, job training, infrastructure repair, and basic assistance, all of which have a track record of doing far more to advance economic growth, unless those programs are paid for with other cuts.

Please vote against the permanent extension of all the tax expenditures now before you. This permanent loss of revenue ($80 billion in just the first decade) is not what the nation needs. We hope when you are able to take up a rational tax reform package, it will delete provisions like the Active Financing Exception and the CFC Look-Through Rules that do not serve the national interest.

Sincerely,

Deborah Weinstein
Executive Director