

July 9, 2020

The Honorable Maxine Waters
Chairwoman, House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member, House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

RE: Disclosure of Tax Havens and Offshoring Act (H.R. 5933)

Dear Chairwoman Waters and Ranking Member McHenry,

We write to urge you to advance the Disclosure of Tax Havens and Offshoring Act (H.R. 5933). This bill would lift the veil of secrecy on certain payments to governments by large multinational companies by requiring that they be reported country by country, as opposed to the current, and inadequate, requirement that such payments be reported at only the U.S. and global level. The additional financial disclosures required in the bill would also provide important context to help policymakers and other stakeholders better understand the role of secrecy jurisdictions around the world and how they have been shown to distort economic activity and cause widespread harm.¹

Transparency International U.S. is part of the largest global coalition dedicated to fighting corruption. With over 100 national chapters around the world, the organization partners with businesses, governments, and citizens to promote transparency and accountability and curb the abuse of power in both the public and private sectors.

More than a decade ago, the Senate's Permanent Subcommittee on Investigations uncovered through a series of bipartisan hearings a litany of tax dodging schemes involving billions of dollars in profit shifting to tax havens and secrecy jurisdictions.² Additional scandals involving companies in the extractives industry led to the creation of the Extractives Industry Transparency Initiative (EITI), a multilateral agreement to require companies in the sector to report on payments to governments on a project-by-project level. More recently, the release of the Panama Papers and the Paradise Papers revealed a wide range of companies engaged in overly aggressive tax planning by shifting significant profits to tax havens in which they had no operations and few, if any, sales.

¹ Nicholas Shaxson, "Tackling Tax Havens," International Monetary Fund, Sep. 2019, available at <https://www.imf.org/external/pubs/ft/fandd/2019/09/tackling-global-tax-havens-shaxon.htm>.

² Senate Permanent Subcommittee on Investigations, "Tax Haven Abuses: The Enablers, the Tools and Secrecy," Aug. 1, 2006, available at [https://www.hsgac.senate.gov/imo/media/doc/TAX%20HAVEN%20ABU%20SES%20REPORT%20\(8-1-06\)\(FINAL%201-07\)1.pdf](https://www.hsgac.senate.gov/imo/media/doc/TAX%20HAVEN%20ABU%20SES%20REPORT%20(8-1-06)(FINAL%201-07)1.pdf).

These investigations, leaks, and scandals have led some governments to crack down on secret tax deals for favored taxpayers and other schemes enabled by the lack of transparency of financial practices.³ Only through transparency can we ensure fair treatment of taxpayers across the board and understand the impact of public policy decisions on individual constituents and sectors of the business community. Through transparency, we can also reduce the potential for undue influence in tax policy decision-making.

In a 2015 paper published in the *Journal of Economic Behavior and Organization*, researchers found, that the global data they reviewed indicates corruption and tax evasion are often “intertwined and self-reinforcing.”⁴ In 2016, the United Kingdom’s development agency issued a report that found the country’s failure to rein in tax havens under its jurisdiction undermines global anti-corruption efforts.⁵

The consequences of lost tax revenue are chilling. While the U.S. debates deficits in the face of a global pandemic, profit shifting by multinational entities has drained needed public resources over many years.⁶ From the limited transparency we do have as a result of an international agreement through the Organization for Economic Cooperation and Development (OECD) that requires country-level corporate tax reporting to the IRS, we learned that in 2017, more than 200 of some of the largest U.S. corporations reported more profits in the tax havens of Bermuda, Bahamas, and the Cayman Islands than in the U.S.’s three largest trading partners, China, Canada, and Mexico.⁷

The Disclosure of Tax Havens and Offshoring Act (H.R. 5933) would address the lack of transparency in corporate tax reporting and provide policymakers with the information they need to craft appropriate tax policy. It would move the U.S. closer to an emerging global transparency standard, attack the abuse of tax havens and secrecy jurisdictions, and rein in the secrecy that allows corruption to flourish.

Thank you for your consideration of our views. If you would like additional information, please contact Scott Greytak, Advocacy Director for TI-US, at sgreytak@transparency.org.

Sincerely,

Gary Kalman

Director

Scott Greytak

Advocacy Director

³ Josie Cox, “EU takes Ireland to court over \$15bn Apple back taxes,” *The Independent*, Oct. 4, 2017, available at <https://www.independent.co.uk/news/business/news/eu-takes-ireland-to-court-15-billion-dollars-fine-apple-back-taxes-latest-european-court-of-justice-a7982211.html>.

⁴ James Alm et al., “Corruption and firm tax evasion,” *Journal of Economic Behavior & Organization*, April 2016, available at <https://www.sciencedirect.com/science/article/abs/pii/S0167268115002735>.

⁵ Ben Quinn, “UK’s failure to rein in tax havens hinders global corruption battle, say MPs,” *The Guardian*, Oct. 18, 2016, available at <https://www.theguardian.com/global-development/2016/oct/19/uk-failure-to-rein-in-tax-havens-hinders-global-corruption-battle-say-mps>.

⁶ Burgess Everett, “McConnell slams brakes on next round of coronavirus aid,” *Politico*, April 21, 2020, available at <https://www.politico.com/news/2020/04/21/mcconnell-slams-brakes-coronavirus-aid-199890>.

⁷ Internal Revenue Service, “Table 1A: Country-by-Country Report (Form 9975): Tax Jurisdiction Information (Schedule A: Part I) by Major Geographic Region and Selected Tax Jurisdiction, Tax Year 2017,” Dec. 17, 2019, available at <https://www.irs.gov/pub/irs-soi/17it01acbc.xlsx>.