

U.S. Rep. Pocan: Introduces legislation to close tax loopholes and bring transparency to corporations who hide their profits overseas

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Washington, D.C. – U.S. Rep. Mark Pocan (WI-02) introduced the *Tax Fairness and Transparency Act* to close tax loopholes and bring transparency to corporations who hide their profits overseas. The legislation takes three common sense steps to make our tax system more equitable; it removes incentives for corporate tax inversions, ends tax deferrals on overseas profits, and brings transparency to profit-shifting schemes.

“Wall Street banks and big corporations rigged the system to dodge taxes and hide their profits overseas,” said Rep. Mark Pocan. “These companies skirt their responsibilities, while small businesses and working families play by the rules and pay their fair share. This legislation closes tax loopholes, incentivizing businesses to stay in the United States, and creates transparency requirements that shed light on firms engaging in tax avoidance and profit shifting activities. By taking these simple steps to crack down on tax dodgers and companies that hide their profits overseas, we can help level the playing field for the American people.”

The *Tax Fairness and Transparency Act* takes the following steps to create a more equitable tax system:

1. **Removes incentives for corporate inversions:** Earnings stripping is a method of avoiding taxes in which U.S.-based companies are loaded up with

debt owed to the affiliated foreign company; the U.S. entity then pays high levels of interest on this debt, which nets them significant tax deductions or entirely wipes out their domestic taxable income. This bill limits the tax deductions a corporation may claim to a level at which the U.S. entity's share of interest on debt is proportionate to the U.S. entity's share of earnings. Without the option to shift profits overseas through earnings stripping, corporations lose a major incentive to move their headquarters abroad.

2. **Ends tax deferral on overseas profits:** Currently corporations can defer paying taxes on foreign profits until that money is repatriated back to the U.S. This bill closes the loophole and requires controlled foreign corporations to pay U.S. taxes on active income.
3. **Brings transparency to profit-shifting schemes:** This bill requires all publicly traded companies to make available to the American people information about multinational tax and business activities on a country-by-country basis, and total profits and taxes paid during the period covered by the report. A [recent report](#) from the FACT Coalition details how the tax strategies of public companies directly impact shareholder risk and market function. Country-by-country tax reporting information must be made publicly available so investors and the general public are sufficiently able to assess investment risk and identify profit-shifting activities.