

U.S. Sen. Baldwin, colleagues: Introduce No Tax Breaks for Outsourcing Act

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WASHINGTON, D.C. – U.S. Senator Tammy Baldwin (D-WI) joined colleagues in introducing the *No Tax Breaks for Outsourcing Act* to level the playing field for American workers and small businesses by making sure multinational corporations pay the same tax rate on profits earned abroad as they do in the United States. This would end tax incentives created by the 2017 Trump tax giveaway bill that created incentives to export jobs and profits.

“To me, this is simple: We should not be rewarding big companies that ship jobs abroad,” **said Senator Baldwin.** “I’m proud to support the No Tax Breaks for Outsourcing Act and work to close loopholes that big businesses get for outsourcing jobs, helping level the playing field for Wisconsin’s small businesses and support American workers.”

Closing offshore tax loopholes [could](#) save \$77 billion in revenue annually.

In 2021, Secretary Yellen led 130 countries in an agreement to ensure multinational corporations begin to pay a fair share of tax wherever they operate through a Global Minimum Tax. The *No Tax Breaks for Outsourcing Act* would implement this agreement by requiring American multinationals to pay the same tax rate on profits earned abroad as they do in the United States. It would apply this tax on foreign profits on a country-by-country basis to prevent companies from dodging taxes by setting up webs of subsidiaries in low-tax countries.

The *No Tax Breaks for Outsourcing Act* would repeal offshoring incentives by:

- **Equalizing the tax rate on profits earned abroad to the tax rate on profits earned here at home.** This legislation would end the preferential tax rate for offshore profits by eliminating the deductions for “global intangible low-tax income” (GILTI) and “foreign-derived intangible income” and applying GILTI on a per-country basis.
- **Repealing the 10 percent tax exemption on profits earned from certain investments made overseas.** In addition to the half-off tax rate on profits earned abroad, the Trump tax exempts from taxation entirely a 10 percent return on tangible investments, such as plants and equipment, made overseas. Our bill would eliminate this offshoring incentive.
- **Treating “foreign” corporations that are managed and controlled in the U.S. as domestic corporations.** Uglund House in the Cayman Islands is the five-story legal home of over 18,000 companies, many of them really American companies in disguise. This section would treat corporations worth \$50 million or more and managed and controlled within the U.S. as the U.S. entities they in fact are, and subject them to the same tax as other U.S. taxpayers.
- **Cracking down on inversions by tightening the definition of expatriated entity.** This provision would discourage corporations from renouncing their U.S. citizenship. It would deem certain mergers between U.S. companies and smaller foreign firms to be U.S. taxpayers, no matter where in the world the new companies claim to be headquartered. The combined company would continue to be treated as a domestic corporation if the historic shareholders of the U.S. company own more than 50 percent of the new entity. If the new entity is managed and controlled in the U.S. and continues to conduct significant business here, it would continue to be treated as a domestic company regardless of the percentage ownership.
- **Combating earnings stripping by restricting the deduction for interest expense for multinational enterprises with excess domestic indebtedness.** Some multinational groups reduce or eliminate their U.S. tax bills by concentrating their worldwide debt, and the resulting interest deductions, in its U.S. subsidiaries. This section would disallow interest deduction for U.S. subsidiaries of a multinational corporation where a disproportionate share of the worldwide group’s debt is located in the U.S. entity, a tactic commonly known as “earnings stripping.” The limit for each U.S. subsidiary would equal the sum of the subsidiary’s interest income plus its proportionate share of the corporate group’s net interest expense.
- **Eliminating tax break for foreign oil and gas extraction income.** Oil

and gas extraction income earned abroad gets a further break on the already half-off rate other industries pay on their offshore profits. This provision would eliminate this special tax break for big oil and gas companies.

The legislation is led by Senator Sheldon Whitehouse (D-RI) and Congressman Lloyd Doggett (D-TX-37) and cosponsored by Senators Richard Durbin (D-IL), Chris Van Hollen (D-MD), Elizabeth Warren (D-MA), Jack Reed (D-RI), Martin Heinrich (D-NM), Chris Murphy (D-CT), Richard Blumenthal (D-CT), Jeff Merkley (D-OR), Ed Markey (D-MA), Bob Casey (D-PA), Tammy Duckworth (D-IL), Mazie Hirono (D-HI), and Cory Booker (D-NJ).

An online version of this release is available [here](#).