

Loopholes should go in 2014

FRANK CLEMENTE

When holiday shoppers make a bad choice, the worst result may be an ugly sweater.

But Congress recently made a bad choice that will ruin the holidays for over a million families — and will spoil the coming new year for millions more.

That was the decision — imposed by conservatives — not to extend unemployment benefits for the long-term jobless, while maintaining huge tax loopholes for wealthy Wall Streeters and multinational corporations. Congress can reverse its choice in early January, but the clock is ticking.

We are emerging from the worst employment crisis in three-quarters of a century. Job losses in the Great Recession were very deep. The unemployment rate hit 10 percent for only the second time since the 1930s, according to the Bureau of Labor Statistics (BLS).

Moreover, the ranks of the long-term unemployed — those out of work for more than 6 months — hit a post-World War II record. Even now, over a third of those out of work have been so long term.

And little wonder: in November, there were almost three unemployed people for every job opening. The problem isn't that people don't want to work; it's that there aren't enough jobs.

Faced with this cruel reality, in the recent budget deal members of Congress had the chance to extend unemployment benefits for 1.3 million Americans — including 20,000 recent veter-

ans — whose benefits run out three days after Christmas.

Instead, they turned their backs on those in need and headed home for the

holidays. What's more, without Congressional action, another 3.6 million long-term unemployed will lose their benefits in 2014.

Extending unemployment benefits is not only a lifeline for the jobless; it also boosts our economy, as hard-pressed families immediately use the money to buy essentials.

While playing Scrooge to constituents, Congress played Santa Claus to campaign contributors by refusing in the budget deal to close any tax loopholes that benefit corporations and the wealthy.

Closing just three tax loopholes would raise four times more revenue than the \$25 billion it costs to extend expiring unemployment benefits for millions of Americans next year.

A recent poll by Hart Research Associates shows that the American public strongly supports such measures.

Congress could raise \$60 billion if it closed one loophole that subsidizes the offshoring of American jobs.

Corporations are allowed to deduct from their federal income taxes all the costs of sending a U.S. plant or office offshore (shipping bills, building the new facility, interest costs on the loans to finance the move).

Yet, companies don't have to pay U.S. taxes on the foreign operations' profits until those earnings are brought home, which many

companies never do. The American public supports closing this corporate tax loophole by a whopping 62 to 36 percent margin.

If Wall Street billionaires were required to simply treat their salaries as salaries — rather than more lightly taxed capital gains — we could bring in \$17.4 billion, according to the Congressional Budget Office. Right now, hedge fund chiefs and other money managers can cut their tax bill almost in half by claiming their huge earnings are eligible for a 23.8 percent rate, when they should be paying 39.6 percent.

The American people strongly disapprove of this "carried interest" loophole, 68 percent to 28 percent.

Corporations play lots of financial games with their stock options (the right to purchase shares, often at a big discount). When they award them to top executives, corporations write off on their taxes more than their own books say the options are worth.

They also use them to get around a \$1 million limit on the deductibility of salaries — fueling excessive executive compensation. Facebook used stock options manipulation to create a \$16 billion tax deduction, according to Senate investigators. Stopping this option abuse would raise \$25 billion, the exact cost of the unemployment extension.

So Congress has to reverse course. It's already spoiled the Christmas holiday for more than a million out-of-work Americans.

Now it needs to make a New Year's resolution that the first order of business



when it returns in January will be to renew benefits for the long-term unemployed.

And if it wants to pay for it, close a tax loophole or two to make sure big corporations and wealthy money managers pay a fairer share of taxes.

Frank Clemente is executive director of Americans for Tax Fairness.