

## Budget loopholes favor wealthy

### The Column

By Frank Clemente

The recent federal budget agreement was a missed opportunity. It is good news that conservative ideologues did not force another government shutdown and that some deep cuts to critical services were avoided. But our political leaders missed the chance to create a better budget and a fairer tax system by closing loopholes and using those new revenues to meet our pressing national needs.

For instance, this budget does not close a single tax loophole benefiting corporations or the wealthy. Closing corporate loopholes would provide revenue needed for new investments to improve education, repair crumbling roads and bridges, and invest in research for new medical cures.

And new investments are desperately needed. Since 2010, Congress has approved \$2.7 trillion in spending cuts to reduce the deficit, and just \$620 billion in new revenue from higher taxes on the wealthiest 1 percent.

Looking at the big picture, domestic spending as a share of the economy is now at its lowest level in 50 years. And all those cuts have taken a toll.

To create a budget that works for everyone – and not just wealthy special interests – Congress should have raised significant new revenue.

There are scores of tax loopholes benefiting the wealthy that could be closed, which could raise more than \$1 trillion over the next decade, as documented in an Americans for Tax Fairness report.

American multinational corporations have \$2.1 trillion in untaxed profits stashed offshore. They are avoiding paying up to \$600 billion in U.S. taxes on these profits, according to Citizens for Tax Justice. Just 50 companies control three-quarters of

these profits. Apple alone has nearly 10 percent of the offshore profits – \$181 billion – on which it owes about \$59 billion.

These companies have an army of lobbyists pressing Congress to let them bring the money back home at a fraction of what they owe. Instead, lawmakers should repeal the tax loophole that lets corporations dodge paying U.S. taxes on these offshore profits. That will take away any incentive to skip out on paying their fair share.

A CEO bonus pay loophole lets corporations deduct unlimited amounts from their income taxes for the cost of executive compensation, if it is in the form of stock options and other so-called “performance pay.”

Another way America’s top 1 percent use the U.S. tax code to subsidize their huge salaries is by pretending they’re not salaries at all. Wall Street money managers mischaracterize a big chunk of their pay as investment income, qualifying it for a 20 percent tax rate, rather than the nearly 40 percent rate on salaries and wages. Shutting this “carried interest” loophole would raise \$16 billion over a decade.

Democratic Senator Tammy Baldwin has introduced legislation to do just that.

Four GOP presidential candidates have expressed support for scrapping this camouflaging of multimillion-dollar salaries.

Budget math is tough enough without ignoring half the equation. Raising significant revenues from corporations and the wealthy should have been a central goal of the budget negotiations. That would have been a big step forward for all if us.

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