

Take the trash out of the tax code; close corporate loopholes

By Gy Moody

We've all heard the saying before: "one man's trash is another man's treasure."

However, having owned a small janitorial and cleaning business in Billings, Montana for the last six years, I can say with certainty that sometimes trash is just that – trash.

As Montana's Senator Max Baucus, chair of the Senate Finance Committee, embarks on his signature priority of cleaning up the U.S. tax code, I suspect he will find that both are true.

The U.S. tax code is littered with wasteful loopholes and preferential rules written by insider lobbyists to benefit powerful corporations and wealthy special interests. For them, these loopholes do indeed represent an enormous and bountiful treasure.

But, for small businesses, average Americans, and the country as a whole, they are nothing more than trash.

Small businesses at a disadvantage in the marketplace. We don't have the resources to hire armies of tax lawyers to dream up creative accounting schemes to avoid our tax responsibility the way big corporations do.

As corporate accountants and tax lawyers have gotten more and more clever at shielding corporations from their tax responsibility, the effective tax rate paid by America's biggest and most profitable businesses has plummeted to a mere 12.6 percent, according to a new Government Accountability Office report – just one-third of the official corporate tax rate. So, while corporate profits have rebounded to a 60-year

high, corporate taxes are near a 60-year low as a share of federal revenue, according to the Office of Management and Budget.

One big loophole allows U.S. corporations to defer paying corporate income taxes on profits that are parked in offshore tax havens. Corporate offshore tax haven abuse is estimated to cost the United States \$90 billion per year in lost tax revenue.

It borders on the absurd: one modest five-story office building in the Cayman Islands is home to 18,857 companies. (Makes me wonder: Do their janitorial contractors get paid by square-foot or by number of corporate shell subsidiaries serviced per hour?)

Offshore tax dodging harms small businesses in two ways.

First, it puts small businesses at a disadvantage in the marketplace. We don't have the resources to hire armies of tax lawyers to dream up creative accounting schemes to avoid

Continued on Page 12



our tax responsibility the way big corporations do.

Frankly, we're proud to contribute our fair share, knowing that in order to build strong local economies, we need investments in an educated workforce, reliable roads and bridges, and a healthy middle class customer base.

These investments require resources, which brings me to the second impact corporate tax avoidance has on Main Street America: offshore tax dodging robs the country of the resources we need to invest in building the economy from the middle out.

Washington D.C.'s obsession with deficit reduction has forced middle-class and vulnerable Americans to shoulder almost \$1 trillion in cuts – cuts that weaken consumer demand on Main

Street, kill jobs, and stifle economic growth.

Meanwhile, corporate America hasn't been asked to contribute a dime to deficit reduction, much less making strategic investments to spur the economy.

Against this backdrop, some big business titans amazingly have the gall to advocate doubling down on offshore tax dodging, aggressively lobbying for a permanent tax "get-out-of-taxes-free" card on offshore profits – a so-called "territorial" tax system – while backing cuts to Social Security and Medicare that would wreak further havoc on the Main Street economy. In short, small business owners and our customers get trash while corporate pirates sail offshore with the treasure.

Small business owners don't accept it and neither should Senator Baucus.'

A poll this year commissioned by the Main Street Alliance and the American Sustainable Business Council found 85 percent of small business owners oppose the "territorial" tax system pushed by offshore tax dodgers. By a margin of more than two to one, small business owners prefer closing corporate tax loopholes over cuts to education, infrastructure or Social Security and Medicare.

It's time to end offshore tax dodging and close tax loopholes that benefit large corporations and wealthy special interests. Use the revenue to invest in strengthening the economy and creating jobs.

Whether you're a small business owner cleaning restaurants in Billings or a U.S. Senator cleaning up the tax code in D.C., the first step is taking out the trash.