THE DAILY PRESS

Date: Thursday, March 06, 2014
Location: ST. MARYS, PA
Circulation (DMA): 4,244 (98)
Type (Frequency): Newspaper (D)
Page: 4
Section: Main
Keyword: Nicole Tichon

# Don't Reward Corporations for Bad Behavior

With any opportunity that seems too good to be true, there is often a fatal flaw.

That is the case with The Partnership to Build America Act, introduced by Representative John Delaney (D-MD) in the House and Senator Michael Bennet (D-CO) in the Senate.

The bill offers a way for multinational corporations to bring profits stashed off-shore back to the United States and finally pay tax on those profits, albeit a minuscule one, in exchange for purchasing bonds that would fund infrastructure projects.

It seems to offer something for everyone, Democrat and Republican alike. But upon closer examination the bill is full of flaws and ends up rewarding those companies that ship profits offshore to avoid tax.

Let's start with a basic question: why are we rewarding bad behavior? For years, companies have been hiding money in low or no-tax countries in an effort to minimize their tax bill, and in doing so have raised the tax burden on individuals and small businesses. Why should we reward behavior that has made things tougher on average Americans and job incubators, small businesses? And what is to stop corporations from continuing to hide profits in off-shore tax havens after this so-called "tax amnesty" expires?

In 2004, a similar program was enacted, the corporations that did bring profits home used them mostly to offer dividends to stockholders. Many did not invest in U.S. operations or create jobs, as they had promised.

It provided no benefit for the economy and many of the corporations that participated actually reduced employment.

Delaney and Bennet would have us believe that they've solved this problem by requiring these corporations to buy bonds from this proposed infrastructure bank. But here too, the idea is fundamentally flawed.

As designed by Mr. Delaney, the bank would be controlled by a board of directors, a minority of which would be appointed by the President, and the rest appointed by the companies that purchase the most bonds. This means that those corporations that repatriate the most under the proposal would effectively control the board of directors and thus the infrastructure bank. That's like giving infamous bank robber Willie Sutton the keys to the jail cell and asking him to lock up when he's done.

There are two major problems. Again, we would be rewarding bad behavior by putting the worst offenders in charge. But when some of the biggest users and abusers of off-shore tax havens are companies whose main assets are in the form of intellectual capital, such as Google, Apple, and Facebook, what possible incentive do they have to invest in roads and bridges? The simple answer is none.

All of the "solutions" recently offered that include a "one-time" tax break to contribute to a long-term and basic spending need is political sleight of hand. It gives big corporations a tax break, gives "Democrats" a talking point on infrastructure spending, and makes everyone appear to be worried about the deficit. All the while actually contributing to the deficit in the long-term.

A serious, long-term solution that would permanently keep much needed revenues and jobs here in the U.S. would be to tax profits when they are made, wherever they are made. Period. It could raise $600 billion over ten years and stop the flow of jobs overseas. And to use a phrase that is very much in vogue in tax and policy circles, that's a pretty valuable "pay-for."

–

*Nicole Tichon is Director of the Financial Accountability and Corporate Transparency (FACT) Coalition.*






Account: 8126 (6819)
PA-483
For reprints or rights, please contact the publisher