

Senator Elizabeth Warren
Floor Speech on Corporate Inversions
July 30, 2013

Madame President, our tax code is tilted toward the rich and powerful. Huge corporations hire armies of lobbyists and lawyers to create, expand, and protect every last corporate loophole. That's how we end up with a tax code that makes small businesses and restaurants and construction companies pay, that makes teachers and truck drivers and nurses pay, but that allows some huge American corporations to make billions of dollars in profits and not pay a single dime in taxes. The tax code is rigged.

Apparently, even this rigged game doesn't go far enough for some corporations. Those companies taking advantage of a new move: a loophole that allows them to maintain all of their operations in America, but claim foreign citizenship so they can cut their US taxes even further.

Now, that's how the loophole works: an American company merges with a much smaller company located in a foreign country, usually a tax haven like Ireland or Bermuda. As long as the shareholders of the foreign company own 20% of the newly-merged company, our tax laws allow that new company to claim foreign citizenship. That means that American companies can hire a bunch of Wall Street bankers and a bunch of lawyers, fill out some paperwork, keep everything the same in their operations, and dodge their US taxes.

Tax lawyers call this process a "corporate inversion." But don't let the bland name fool you – these companies are renouncing their American citizenship, turning their backs on this country, simply to boost their profits. They are taking advantage of all the good things that our government helps provide – educated workers, roads and bridges, a dependable court system, patent and copyright protection – and then running out on the bill.

If a person did that, we'd call them a freeloader. We'd insist they pay their fair share. And that's exactly what our tax laws do for people who renounce their American citizenship. Even if they don't sell their property in the US, when they renounce their citizenship, we treat them as if they had sold it. If they try to send money back to a US citizen, we tax that amount too. And if someone attempts to evade their tax obligations by renouncing their American citizenship, we bar them from coming back to this country. For a person who doesn't want to pay a fair share, our message is clear: you can renounce your citizenship, but don't come back and expect the rest of us to pick up the tab.

But we don't do that for corporations. Corporations can renounce their American citizenship – and make absolutely clear in legal documents that they're doing it to avoid their US tax obligations – and not suffer any consequences. In this corner of the tax code, we've gone way past treating corporations like people. In this corner of the tax code, we're treating corporations better than people.

That's not right. That's why I've teamed up with Senator Levin and more than a dozen of our Democratic colleagues to introduce the Stop Corporate Inversions Act. The bill is simple: it allows American corporations to renounce their citizenship only if they truly give up control of their company to a foreign corporation and truly move their operations overseas. The bill would help protect \$17 billion in tax revenue – money that we could spend on Head Start programs, on fixing our roads and bridges, on investing in medical research. President Obama and Secretary Lew have spoken out in favor of the proposal. I commend their leadership, and I join them in urging the Senate to pass this bill right away.

Now, some say “wait!” They say we should address the loophole in the context only of broader tax reform. Now, I'm all for a major overhaul of our tangled tax code. But make no mistake – more and more companies are rushing to renounce their citizenship to take advantage of this inversion loophole before we can get to full tax reform. We cannot allow the larger fights over tax reform to stop us from holding these freeloaders accountable.

I believe the Senate should act on this – but I'm also realistic. Even if the Senate passes this bill today, we know that like so many good Senate bills before it, it will face a tough road in the House. If we've learned anything from the past few years, it's that House Republicans will claw, scratch, whimper, beg, or do whatever else it takes to defend every last corporate tax loophole.

But the Administration doesn't need to wait for Congress. It can use its existing authority to slow down and reduce the attractiveness of these sham inversions right now. According to a paper published this week by Steve Shay, a Harvard Law School professor and former senior tax policy official at the Treasury Department, the Administration could take action today to reduce the tax benefits of corporate inversions. It could use its authority under Section 385 of the tax code to prevent companies that renounce their citizenship from using any other loopholes to shield themselves from additional taxes that they would otherwise be required to pay. Now, this won't totally solve the problem, but it would significantly reduce the benefits of corporate inversions, and it would be an important first step toward treating companies that renounce America the same way we treat people who renounce America – as freeloaders who get cut off from other benefits.

America is a great place to do business because of the investments we have made together. In Massachusetts and across this country, we invest in public education, in our colleges and universities, producing millions of skilled workers. We invest in infrastructure, in our roads and bridges and ports, making it easier for our companies to move their products across the country and beyond. We invest in scientific and medical research, giving our companies access to the most innovative and cutting-edge technologies. We invest together to make America a place where any kid will have a chance to come up with an idea and turn it into the next great American corporation.

The companies that are pursuing these corporate inversions know all of this. That's why they are not actually leaving America behind. They just don't want to pay for it.

Our achievements aren't magic. They didn't simply happen on their own or through dumb luck. America works – our government works – our democracy works – because we all pitch in and do our part to build the things that none of us can build alone. The things that give everyone a chance to succeed.

If these companies want to leave all that behind, well, that is their right. But if they exercise that right, if they leave America behind, then they shouldn't get to turn around and claim all the privileges of being an American company. We've had enough of rich corporations taking whatever they want and expecting everyone else to pick up the pieces. The time for freeloading is over.

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