

# Congress of the United States

Washington, DC 20515

September 28, 2022

The Honorable Janet Yellen  
Secretary  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Secretary Yellen:

We write to urge you to pursue strong implementation of the 15 percent corporate minimum tax on billion-dollar corporations in the *Inflation Reduction Act of 2022*.<sup>1</sup> After nearly three decades of corporate tax cuts,<sup>2</sup> this historic legislation will prevent the largest, most profitable corporations from paying less in taxes than small businesses and middle-class families, while helping to pay down the deficit, lower energy and healthcare costs, and fight inflation. We look forward to continuing to partner with you in the implementation of the corporate minimum tax to limit the ability of corporations that report \$1 billion or more in profits to their shareholders to minimize or eliminate their federal income tax liability.

For years, many of America's largest and most profitable corporations have paid far less than the statutory federal tax rate, or even nothing at all. In the first three years following the 2017 corporate tax cuts, FedEx, Salesforce, and thirty-seven other profitable corporations in the S&P 500 or Fortune 500 paid \$0 in federal income taxes.<sup>3</sup> Meanwhile, Amazon has paid only 5.1 percent in federal tax on its \$78.6 billion in U.S. profits from 2018 to 2021.<sup>4</sup>

The *Inflation Reduction Act* will put a floor on this tax avoidance and limit the ability of these corporations that report at least \$1 billion in profits to their shareholders to pay less than a minimum 15 percent federal tax rate, still well below the statutory rate of 21 percent.<sup>5</sup> The Congressional Joint Committee on Taxation projected that the tax would raise more than \$222 billion over the next ten years and impact only approximately 150 taxpayers annually.<sup>6</sup> This

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<sup>1</sup> Inflation Reduction Act of 2022, H.R. 5376, <https://www.congress.gov/bill/117th-congress/house-bill/5376>.

<sup>2</sup> Tax Foundation, "Historical U.S. Federal Corporate Income Tax Rates & Brackets, 1909-2020," August 24, 2021, <https://taxfoundation.org/historical-corporate-tax-rates-brackets/>.

<sup>3</sup> Institute on Taxation and Economic Policy, "Corporate Tax Avoidance Under the Tax Cuts and Jobs Act," Matthew Gardner and Steve Wamhoff, July 29, 2021, <https://itep.org/corporate-tax-avoidance-under-the-tax-cuts-and-jobs-act/>.

<sup>4</sup> Institute on Taxation and Economic Policy, "Amazon Avoids More Than \$5 Billion in Corporate Income Taxes, Reports 6 Percent Tax Rate on \$35 Billion of US Income," Matthew Gardner, February 7, 2022, <https://itep.org/amazon-avoids-more-than-5-billion-in-corporate-income-taxes-reports-6-percent-tax-rate-on-35-billion-of-us-income/>.

<sup>5</sup> 26 U.S.C. 11(b).

<sup>6</sup> Joint Committee on Taxation, "Estimated Budget Effects Of The Revenue Provisions Of Title I – Committee On Finance, Of An Amendment In The Nature Of A Substitute To H.R. 5376, 'An Act To Provide For Reconciliation Pursuant To Title II Of S. Con. Res. 14,' As Passed By The Senate On August 7, 2022, And Scheduled For Consideration By The House Of Representatives On August 12, 2022," August 9, 2022,

corporate minimum tax on billion-dollar corporations has the strong support of hardworking Americans and businesses that do pay their fair share.<sup>7</sup>

President Biden originally proposed a minimum tax on the corporate profits of the largest corporations during his campaign<sup>8</sup> and then in the Treasury Green Book,<sup>9</sup> and the final minimum tax provision included in the *Inflation Reduction Act* was developed based on close partnership between the Biden Administration and Congress.<sup>10</sup>

As the leaders in Congress who championed passage of the corporate minimum tax as part of the *Inflation Reduction Act*, we look forward to continuing our partnership with the Administration as the tax is implemented. Strong implementation necessitates standing firm against requests to dilute the regulations in such a way as to undermine the clear intent of the law. While the Treasury Department has regulatory authority to implement the corporate minimum tax, that should be understood to relate to the proper functioning of the corporate minimum tax, including by “prevent[ing] the omission or duplication of any items” in the calculation of the tax.<sup>11</sup> The legislation also makes clear that the starting point for determining the profits subject to the corporate minimum tax are those listed in annual financial statements, most importantly those used for reporting to shareholders, such as a 10-K form.<sup>12</sup> Although the statute provides authority for determining the financial statements to be used, such authority should be understood to ensure that corporations cannot escape the tax by avoiding or manipulating specified types of financial reporting, not to facilitate escape of the tax. The Treasury Department’s authority to implement this statute should not be used to allow corporations to report over \$1 billion in profits to their shareholders and yet avoid paying this tax.

We look forward to continuing our partnership with you and working to ensure this tax fulfills its intended purpose of limiting the ability of billion-dollar corporations to pay less than a minimum 15 percent of their profits in federal income tax, and urge you to develop strong implementing regulations that prevent undermining of this purpose.

Sincerely,

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<https://www.jct.gov/publications/2022/jcx-18-22/>; Letter from the Joint Committee on Taxation to Senate Finance Committee Chairman Ron Wyden, August 1, 2022, <https://www.finance.senate.gov/imo/media/doc/CAMT%20JCT%20Data.pdf>.

<sup>7</sup> Data For Progress, “Voters Support the Inflation Reduction Act,” Danielle Deiseroth, August 3, 2022, <https://www.dataforprogress.org/blog/2022/8/3/voters-support-the-inflation-reduction-act>; Navigator, “The Public Broadly Supports the Inflation Reduction Act,” August 3, 2022, <https://navigatorresearch.org/the-public-broadly-supports-the-inflation-reduction-act/>; Small Business Majority, “Small Businesses Share Views on Proposed Tax Reforms, Workforce Shortages,” August 18, 2021, <https://smallbusinessmajority.org/our-research/small-businesses-views-on-tax-reforms-workforce-shortages>.


<sup>8</sup> Biden Harris Democrats, “A Tale Of Two Tax Policies: Trump Rewards Wealth, Biden Rewards Work,” <https://joebiden.com/two-tax-policies/#>.


<sup>9</sup> U.S. Department of the Treasury, “General Explanations of the Administration’s Fiscal Year 2022 Revenue Proposals,” May 2021, <https://home.treasury.gov/system/files/131/General-Explanations-FY2022.pdf>.


<sup>10</sup> *Id.*; Office of Senator Elizabeth Warren, “Warren-King-Wyden Corporate Profits Minimum Tax,” October 26, 2021, <https://www.warren.senate.gov/imo/media/doc/Warren-King-Wyden%20Corporate%20Profits%20Minimum%20Tax%20-%20One%20Pager.pdf>.


<sup>11</sup> 26 U.S.C. 56A(c)(15)(A).

<sup>12</sup> 26 U.S.C. 56A(b); 26 U.S.C. 451(b)(3).

  
Elizabeth Warren  
United States Senator

  
Angus S. King, Jr.  
United States Senator

  
Michael F. Bennet  
United States Senator

  
Donald S. Beyer Jr.  
Member of Congress