Durbin, Doggett Introduce Bill To Prevent Tax Dodging Corporations From Receiving Covid-19 Relief

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WASHINGTON – U.S. Senator Dick Durbin (D-IL) and U.S. Representative Lloyd Doggett (D-TX-35) today introduced the *American Assistance for American Companies Act*¸ a bill to ensure that inverted corporations cannot benefit from federal COVID-19 financial assistance under the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. For years, the tax inversion loophole has allowed large multinational corporations to do a paper shift of their corporate citizenship from the United States to a low-tax foreign jurisdiction, while keeping their executives and headquarters here in America. Unfortunately, these corporations, which have skirted their U.S. tax obligations for years, may still qualify for federal assistance under the *CARESAct*.

“For years, inversion loopholes have allowed American companies to evade their tax obligations. These companies, which have schemed their way out of paying U.S. taxes, shouldn’t get a dime of American taxpayer funded *CARES Act* financial relief,” Durbin said.

“These multinational corporations—that renounced their American citizenship—want to be treated as foreign when it comes time to pay for our national security and vital public services upon which they rely, but claim they are as American as apple pie when it comes time to line up for a handout paid for by the American households actually suffering,” said Congressman Doggett.

Along with Durbin and Doggett, the *American Assistance for American Companies Act* is also cosponsored by Senators Tammy Duckworth (D-IL) and Chris Van Hollen (D-MD).

A tax inversion is accomplished by merging with a foreign company that can be as little as 1/5 of the size of the U.S. corporation and keeping the foreign address for tax purposes, which results in large and permanent tax breaks. That's unfair to responsible domestic businesses that pay U.S. taxes and are at a competitive disadvantage compared to their inverted counterparts. Unlike other tax loopholes that can be closed on a year to year basis, a tax inversion is a permanent change in a corporation's structure.

The *American Assistance for American Companies Act* would ensure that inverted corporations cannot benefit from *CARES Act* assistance by taking certain tax breaks under the *CARES Act* and accessing the Federal Reserve's emergency lending facilities, such as:

- Net Operating Loss carrybacks under Section 2303 of the *CARES Act*, which allows business losses from 2018, 2019, and 2020 to be carried back for five years;

- Increased Limitation on Business Interest under Section 2306 of the *CARES Act*, which increases the limit of business interest allowed as a deduction from 30% to 50% of adjusted taxable income for 2019 and 2020; and

- Emergency lending facilities established by the Federal Reserve with funding authorized under Section 4003 of the *CARES Act*, including the Primary Market Corporate Credit Facility and the Secondary Market Corporate Credit Facility.

Under the legislation, a combined foreign corporation would be treated as an inverted domestic corporation if:

- The shareholders of the former U.S. corporation own more than 50 percent of the new combined foreign corporation; or

- If the affiliated group that includes the combined foreign corporation is managed and controlled in the United States and engages in significant business activities in the United States.

The bill would allow an inverted domestic corporation to qualify for the *CARES Act* assistance if it retroactively elects to be treated as a domestic corporation beginning in 2017, with payment of back taxes or penalties due in 2021.

This legislation is supported by Public Citizen, The FACT Coalition, the American Federation of State, County and Municipal Employees (AFSCME), Americans for Tax Fairness, the AFL-CIO, and the American Federation of Teachers.