

Republican Opposition to Ending Overseas Tax Breaks

In recent years, Congressional Republicans have voted repeatedly against legislation to end incentives to ship jobs overseas and avoid US taxation.

#1 – Ending Foreign Tax Credit Loopholes that Encourage Offshoring

This package of provisions closes loopholes in the foreign tax credit that allow companies to maximize the amount of foreign earnings that they leave overseas while using the foreign tax credit to minimize tax on other income. The foreign tax credit is designed to prevent double taxation of the income US companies earn overseas, but these loopholes in effect subsidize investment overseas.

#2 – Preventing Treaty Shopping

This legislation would prevent foreign companies based in tax haven countries from manipulating our system of tax treaties to strip earnings out of the US and avoid US tax. The US tax treaty system is designed to prevent double taxation of income earned by foreign companies based in our major trading partner countries. This legislation closes loopholes in this system that are allowing companies in non-treaty countries to gain the benefits of that system. It would not affect US-based companies or foreign companies based in treaty countries.

#3 – Foreign Account Tax Compliance Act

This legislation provides new enforcement mechanisms to crack down on wealthy US taxpayers that seek to hide assets in tax havens and evade US taxes.

#4 – Offshore Deferred Compensation

This legislation ended the ability of wealthy investment fund managers and corporate executives to indefinitely defer taxation on their income by routing it through offshore corporations and investment vehicles.

#5 – Expatriates Who Renounce US Citizenship

This legislation tightened the rules on wealthy individuals living overseas who renounce their US citizenship to avoid US tax. Under this provision, high net-worth individuals will be treated as if they sold all of their property for its fair market value on the day before such individual expatriates or terminates their residency and taxed immediately on gains above \$600,000.