



April 15, 2011

President Barack Obama
1600 Pennsylvania Ave., NW
Washington, DC
20500

Sen. Max Baucus
Chairman
Senate Finance Committee
511 Hart Senate Office Bldg.
Washington, DC
20510

Rep. Dave Camp
Chairman
House Ways and Means Committee
341 Cannon House Office Bldg.
Washington, DC 20515

Dear President Obama, Chairman Baucus and Chairman Camp:

We are writing today, the day when most hard-working Americans focus on paying their share of income taxes, to ask that you ensure American corporations assume their fair share as well. Sadly, many of our largest corporations avoid their obligations by stashing billions of dollars in overseas tax havens, and then repatriating the money to the United States only after wheedling a tax holiday out of Congress.

Google, the self-declared “Don’t Be Evil” company, is the poster child for this irresponsible behavior. Using avoidance techniques dubbed the “Double Irish” and the “Dutch Sandwich,” the Internet giant cut its taxes by \$3.1 billion in the last three years and reduced its overseas tax rate to 2.4 percent, the lowest of the top five U.S. technology companies by market capitalization, according to regulatory filings in six countries, Bloomberg News Service reported. (<http://www.bloomberg.com/news/2010-10-21/google-2-4-rate-shows-how-60-billion-u-s-revenue-lost-to-tax-loopholes.html>)

The “Double Irish” involves running earnings through two subsidiaries in Ireland that allows Google to escape most Ireland’s 12.5 percent income tax. It then transfers the earnings through the Netherlands – the “Dutch Sandwich” – to the tax haven Bermuda. Apparently Facebook was working on a similar plan that would leave funds offshore in the Cayman Islands.

Normally, U.S. based firms would be subject to the U.S. corporate income tax rate or 35 percent on the overseas funds that have been stashed in dodgy tax havens when the money is brought back to the United States. Instead of stepping up and acting responsibly and paying their fair

share, tech giants like Google and Microsoft are lobbying aggressively individually, and as members of the so-called Win America coalition, for a tax holiday.

According to the Win America Coalition \$1 trillion “earned by American businesses is trapped overseas.” This is not true; the funds are not trapped. The money is deliberately stashed in offshore tax havens, until a tax holiday is granted.

Google and supporters of granting a tax holiday argue that the \$1 trillion now overseas would then be invested in the U.S. economy creating jobs. Past history shows this simply will not happen. In 2004 America’s greedy multinationals made the same argument. They talked the government into allowing companies to bring back \$300 billion in 2005 and pay a tax rate of only 5.25 percent. They promised the money would go toward job creation and capital investment.

It did not.

For the most part, according to an analysis by three economists, Dhammika Dharmapala and C. Fritz Foley and Kristin J. Forbes, the money went to shareholders. Their analysis, “*Watch What I Do, Not What I Say: The Unintended Consequences of the Homeland Investment Act*,” found that instead of creating 500,000 jobs, each \$1 increase of repatriated profits was associated with an increase of 62 cents to 92 cents in shareholder payouts – despite regulations stating such expenditures were not allowed. The problem was the fungibility of money. (

<http://www.people.hbs.edu/ffoley/>

[HIA.pdf](#)) The study found that the act and its guidelines were ineffective in getting repatriating firms to increase their domestic activities. Congress and the administration must not be fooled again.

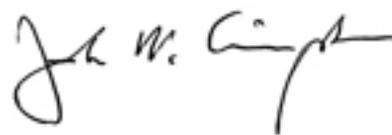
We urge you to oppose any attempt to declare a tax holiday. Do not endorse dodgy tax avoidance schemes practiced by Google and other multinationals like the “Double Irish” and “Dutch Sandwich” that have become key to the operations of tech giants and undermine the revenues of governments around the world.

As Americans ponder their tax bills today, please ensure that corporations will be called upon to play by the same rules.

Sincerely,



Jamie Court
President



John M. Simpson
Consumer Advocate