

Contact: Bob McIntyre

Corporate Pork Trumps Rational Jobs Policy

Corporate tax legislation approved by the House Ways and Means Committee on June 14 and scheduled for a House vote this week would add \$278 billion in new tax breaks, mostly for corporations, over the next decade. This is similar in cost to \$270 billion in corporate tax concessions approved by the Senate in May.

“These bills claim to be designed to protect American manufacturing jobs, but they will almost certainly have the opposite effect,” said Robert S. McIntyre, director of Citizens for Tax Justice. “Sadly, few of our lawmakers seem to understand—or care.”

“Currently, every dollar we add to our budget shortfall is another dollar that we have to borrow from foreigners,” McIntyre noted. “That in turn is another dollar that foreigners won’t use to buy our exports. So if our politicians really wanted to help manufacturing jobs, they’d be working hard to attack our enormous budget deficit, by rolling back Bush’s tax cuts and raising additional revenues wherever they can find them. But instead they propose to add even more to our huge budget and trade shortfalls.”

Both the Senate and House corporate tax bills purport to cover most or all of the cost of their new corporate tax breaks with tax increases. But these alleged offsets shouldn’t be taken very seriously.

“The bills’ so-called revenue offsets fall into three categories,” McIntyre said. “First, there are things that Congress has to do; second, things that Congress ought to do anyway; and third, things that Congress won’t do.”

■ In the **has-to-do** category is repeal of a foolish export tax subsidy that the World Trade Organization has ruled to be in violation of U.S. trade agreements. “It seems odd to call complying with the law of our land a revenue offset,” said McIntyre. Ending the illegal export tax subsidy will eliminate growing penalty duties on U.S. exports.

■ In the **ought-to-do-anyway** category are curbs on egregious corporate tax shelters that Congress never intended to allow—such as Bermuda reincorporations, Enron-type tax shelters, tax-motivated “leasing” of foreign sewer

systems, etc.—along with routine extensions of some expiring fees. Sen. Max Baucus (D-Mt.), a chief sponsor of the Senate bill, accurately called these “measures which in themselves should be good public policy and we should pass anyway.”

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The 2004 Corporate Tax Giveaway Bills

10-year revenue effects, \$-billions	House	Senate
New tax breaks (without sunsets)	\$ -278	\$ -270
Supposed offsets to new tax breaks:		
1. Phony sunsets on tax breaks	+133	+91
2. Comply with existing law (ruling that export tax subsidy is illegal)	+50	+51
3. “Measures which in themselves should be good public policy and we should pass anyway”	<u>+60</u>	<u>+130</u>
Bogus advertised net 10-year effect	-34	+2

Note: the Senate presents only 9-year estimates for its bill. The figures here include estimates for the tenth year.

Source: Joint Committee on Taxation; Citizens for Tax Justice

“Cracking down on corporate tax evasion and avoidance is a good thing,” McIntyre said. “But it can’t reasonably be justified as an excuse for adopting new loopholes. That would be like the police catching a bank robber, but then donating the stolen money to the Bank Robbers’ Retirement Fund and calling the whole thing ‘revenue neutral.’ ”

- Finally, the **won’t-do** category consists of phony sunsets on many of the tax breaks in the bills, which supposedly will offset \$133 billion of the House bill’s 10-year cost and \$91 billion of the cost of the Senate plan. “If you want to be assured just how bogus those sunsets are,” said McIntyre, “note that this year the House has blithely voted to extend some of the supposedly ‘sunsetting’ Bush tax cuts, at a cost of almost \$600 billion over the upcoming decade.”

“Congress should abandon both these terrible bills and go back to the drawing board,” said McIntyre. “Expanding the budget deficit by showering tax breaks on corporate special interests is actually an anti-jobs program, especially for manufacturing. In contrast, simply repealing the illegal export subsidy and getting rid of the onerous export penalty duties its continuation entails would be an obvious plus for manufacturing jobs.”