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Disclosure of Tax Havens and Offshoring Act

The problem: Tax haven abuse and tax incentives for offshoring
Corporations use a variety of accounting maneuvers to shift profits into tax haven countries, to avoid taxes in the countries where they operate. For example, profitable U.S. corporations booked $45 billion of profits in Bermuda in 2019, despite having only 718 employees there.[1]

Even worse, the 2017 tax law created new tax incentives that encourage U.S. companies to move jobs and investment overseas. The law created a global minimum tax on foreign profits, known as Global Intangible Low-Taxed Income (GILTI). But since the tax is not imposed on a country-by-country basis, corporations can avoid this minimum tax by shifting investment into countries where they have actual operations, because the resulting increase in foreign tangible assets and foreign tax payments both offset the GILTI tax they would otherwise owe from their use of foreign tax havens.

The solution: Public country-by-country reporting
The *Disclosure of Tax Havens and Offshoring Act* directs the U.S. Securities and Exchange Commission (SEC) to mandate public disclosure of country-by-country financial reports by large corporations. These reports would include basic information from a corporation on each of their subsidiaries, and country-by-country financial information that sums together all of their subsidiaries in each country – including profits, taxes, employees, and tangible assets.

This legislation would codify and advance global trends supporting country-by-country reporting. Corporations with annual revenues above $850 million already report all of this information to the IRS under an international OECD framework, but these reports are not public. The European Union and Australia are moving to require more public reporting of corporate international tax and financial information. And in the United States, the Financial Accounting Standards Board will soon update Generally Accepted Accounting Principles to require more detailed international tax disclosures.[2]

Country-by-country financial reports are vital information for investors to understand the tax structures and potential risks of the corporations in which they invest, especially in light of recent and potential future changes to international corporate tax law. When a corporation sends jobs overseas, their country-by-country financial report would show the extent to which the U.S. tax system is rewarding their behavior.

Supporters: FACT Coalition, Public Citizen, Institute for Taxation and Economic Policy, American Federation of State, County and Municipal Employees (AFSCME).

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[1] Under current law, country-by-country reports for each corporation are not publicly available, but the IRS publishes aggregate data from these country-by-country reports here: https://www.irs.gov/statistics/soi-tax-stats-country-by-country-report.
[2] Brian Faler, "Businesses face worldwide push for more tax disclosure," PoliticoPro, February 7, 2023, available at https://subscriber.politicopro.com/article/2023/02/businesses-face-worldwide-push-for-more-tax-disclosure-00081325.