

Want to Cut the Deficit? End Offshore Tax Abuses

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The vast majority of Americans fulfill their legal and civic obligations to pay the taxes they owe, and rightly expect others to do the same. But too often, corporations and wealthy individuals use overseas tax havens to dodge their duty, passing their tax burden off onto others and increasing the federal budget deficit.

That's why I have introduced the Stop Tax Haven Abuse Act, legislation geared to stop offshore tax abuses that constitute a huge drain on U.S. taxpayers. This bill offers powerful tools to combat offshore tax abuses and eliminate tax incentives that encourage corporations to move jobs and profits overseas. And at a time when budget deficits are everyone's concern, this bill offers a reasonable way to reduce the deficit by billions of dollars. I have recommended to the Joint Select Committee on Deficit Reduction – the so called “super-committee” – that they consider the Stop Tax Haven Abuse Act as they work on a bipartisan agreement to reduce the deficit.

The bill is a product of the investigative work of the Permanent Subcommittee on Investigations, which I chair. For more than ten years, the subcommittee has exposed billions of dollars in offshore abuses, including the use of offshore corporations and trusts to hide assets; the use of tax haven banks to set up secret accounts; and the use of U.S. bankers, lawyers, accountants and other professionals to devise abusive tax shelters. A small office building in the Cayman Islands, called the Uglund House, is listed as the headquarters for more than 19,000 shell corporations that in too many cases are being used to dodge their taxes. In addition, over the past two years, 30,000 Americans have come clean to the IRS about hiding funds in offshore bank accounts.

Why is this so important? Because the stakes for taxpayers and our budget problem are enormous.

Our subcommittee has estimated that offshore tax abuses cost taxpayers about \$100 billion a year. The loss of that money means two things happen: the tax burden on law-abiding, middle-class taxpayers goes up to cover the obligations of those who fail to pay what they owe; and our budget deficit deepens.

The Stop Tax Haven Abuse Act would help put a halt to offshore tax dodging in several ways. It would authorize the Treasury secretary to take special measures against foreign jurisdictions or financial institutions that impede U.S. tax enforcement. It would give law enforcement new tools to establish who owns and controls offshore entities. And it would stop corporations that are run from the United States from avoiding taxes by claiming status as foreign corporations.

I have introduced similar legislation in the past, and some important provisions from those bills have become law. But much more can and should be done. Cracking down on offshore tax abuse would not only combat rising budget deficits, but also make our tax system fairer to middle-class families.

No one enjoys paying taxes. But almost all of us do. Some pay their taxes simply to avoid trouble, but for most of us, there is something else going on: a sense of civic duty. We understand that, as Supreme Court Justice Oliver Wendell Holmes put it, when we pay taxes, we buy civilization.

We know that for our country to remain safe, secure and prosperous, paying our fair share is necessary. It's

wrong that so many use offshore shelters to avoid their obligations, and we can and should do more to put an end to the tax cheating that robs our Treasury, honest taxpayers, and our children's future.