

United States Senate

WASHINGTON, DC 20510

August 8, 2017

The Honorable Secretary Steven Mnuchin
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Mnuchin:

We write in support of the Department's efforts to limit tax inversions and earnings stripping. To date, these rules have had measureable success in stemming the tide of inversions, but they alone will not be effective in ending these offshoring tactics. Given the recent decrease in inversion activity and ongoing efforts to reform the nation's broken tax system, we urge you to reject calls to eliminate, undermine, or scale back the Section 385 rule and work with us to curb these abusive tax avoidance schemes for good.

Inversions are corporate tax deals that allow U.S. companies to move their tax domicile overseas – but only on paper – to avoid paying U.S. taxes. These schemes are deeply unfair to American taxpayers who fund the programs and protections that many of these corporations use to grow and thrive as they make significant profits. In return, these corporations choose to desert their tax responsibility here at home, further eroding the U.S. tax base. Profit shifting by U.S. companies costs the U.S. treasury more than \$100 billion each year, and according to projections in the Congressional Budget Office's *Budget and Economic Outlook: 2017 to 2027* report, inversions and other tax-avoidance strategies will only increase over the next ten years, resulting in the loss of much needed federal revenue. Limiting the ability for these companies to engage in earnings stripping is an important step in limiting tax inversions and preserving the U.S. tax base and tax fairness.

In 2004, Congress acted to prevent these types of deals. However, dozens of corporations have used loopholes in the law to avoid U.S. taxes. In the absence of congressional action to close these loopholes and projections that tax-avoidance schemes will worsen over the next few years, the Department issued rules to reduce incentives to invert. As a result, a number of companies rightly abandoned or questioned the benefits of their inversion efforts. Eliminating or undermining this rule and any other anti-inversion regulations will inevitably create an environment that is ripe for more frequent and sizable corporate inversions.

As Congress continues to weigh reform of the nation's broken tax system, it is incumbent upon the Department to use its authority to strengthen the anti-inversion rules, not weaken or repeal them. Moreover, we should be working together to put an end to these reckless practices that drain much needed revenue from our Treasury.

If a company benefits from the United States and all that it has to offer, it should pay its fair share of taxes here at home. We urge you to reject calls to eliminate or undermine the rule so we can begin to restore some fairness to our tax system on behalf of the American people.

Sincerely,



Richard J. Durbin
United States Senator



Jack Reed
United States Senator




Christopher Van Hollen
United States Senator



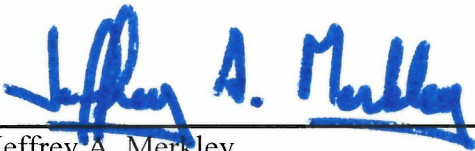
Tammy Baldwin
United States Senator



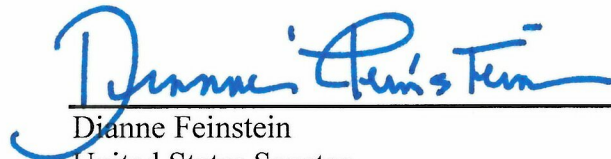
Al Franken
United States Senator



Edward J. Markey
United States Senator



Jeffrey A. Merkley
United States Senator



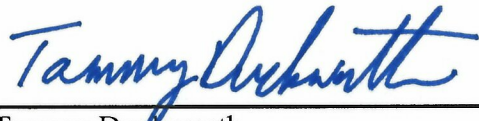
Dianne Feinstein
United States Senator



Mazie K. Hirono
United States Senator



Bernard Sanders
United States Senator



Tammy Duckworth
United States Senator



Cory A. Booker
United States Senator