

United States Senate

WASHINGTON, DC 20510

October 18, 2019

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

Dear Secretary Mnuchin,

We write to express concern with recent reports that the Department of the Treasury is considering weakening regulations that limit tax inversions and earnings stripping. In 2017, we called on your Department not to eliminate, undermine, or scale back the Section 385 rule and urged you to work with us to permanently curb these abusive tax avoidance schemes. We again urge you to reject any plans to eliminate or narrow existing anti-inversions regulations.

Business practices known as inversions allow U.S. companies to permanently shift their tax domicile overseas to low-tax foreign jurisdictions, while simultaneously maintaining their executives and headquarters in the United States. Corporations have used these schemes to avoid paying their fair share of U.S. taxes while still receiving the benefits of operating in the United States. This practice is deeply unfair to American taxpayers who ultimately fund the public programs and infrastructure investments that these companies use to grow their businesses.

For years, companies continued to exploit loopholes in our laws and regulations to avoid paying taxes, despite Congressional action in 2004 to prevent corporate inversions. Yet data show that the Department of Treasury's actions to curb these practices has been effective. For example, according to the Bureau of Economic Analysis, acquisitions by foreigners fell by 15 percent in 2016 and 32 percent in 2017. Additionally, prominent companies reconsidered taking advantage of inversions schemes in the aftermath of rules issued by Treasury in 2016.¹ Undermining or weakening these existing regulations will undoubtedly create an environment that again emboldens companies to take advantage of these tax-dodging practices.

This Administration has repeatedly shown a willingness to pursue policies that benefit only the wealthiest taxpayers—billionaires and corporations—at the expense of working families. We urge you not to pursue this misguided approach that would allow U.S. companies to avoid paying taxes while leaving middle-class families and small businesses to foot the bill. The Department should instead focus its efforts on making sure that corporations are paying their fair share of taxes, which is critical to supporting robust federal investments in infrastructure, workforce training, and research and development.

¹ Andrew Velarde, "Treasury Finally KOs Pfizer Inversion," *Tax Notes Today*, April 7, 2016, <https://www.taxnotes.com/tax-notes-today-federal/cross-border-mergers-and-acquisitions/treasury-finally-kos-pfizer-inversion/2016/04/07/18450911>

It would be a mistake to re-open loopholes that allow American companies to skirt their tax obligations. We oppose any effort to weaken or eliminate Treasury Department regulations that have been effective in reducing the incentives for corporations to invert.

Sincerely,



Richard J. Durbin
United States Senator



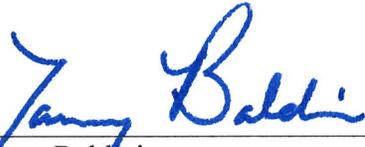
Jack Reed
United States Senator



Sheldon Whitehouse
United States Senator



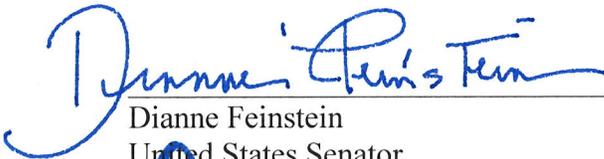
Sherrod Brown
United States Senator



Tammy Baldwin
United States Senator



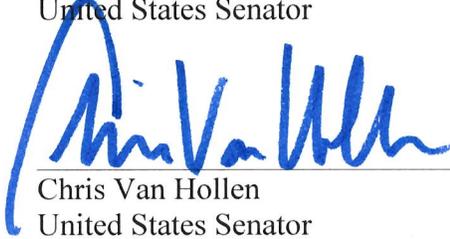
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Dianne Feinstein
United States Senator



Edward J. Markey
United States Senator



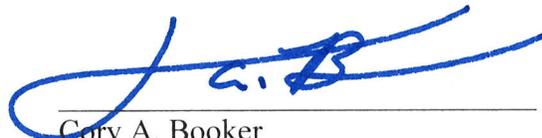
Chris Van Hollen
United States Senator



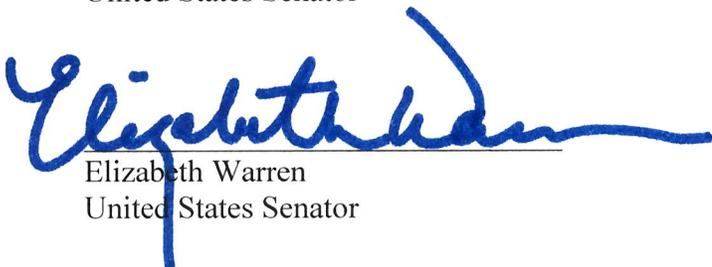
Mazie K. Hirono
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Elizabeth Warren
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