



# Committee On Finance

Max Baucus, Chairman

**NEWS RELEASE**

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## STATEMENT OF CHAIRMAN MAX BAUCUS INTRODUCTION OF INVERSION LEGISLATION

Tax cheats cost honest taxpayers literally tens of billions each year. When one company avoids payment, we all pay. Increasingly it is clear that legislation is needed that focuses on companies and those individuals who have abused the system, punishing honest taxpayers who comply with our tax laws. Legislation is needed that strikes the right balance. This should not be a witch hunt. It should not be a whitewash either. Our legislation, Reversing the Expatriation of Profits Offshore (REPO) Act, is designed to put the brakes on the potential rush to move U.S. corporate headquarters to tax havens, through increasingly popular transactions known as corporate inversions.

Prominent U.S. companies are literally re-incorporating in off-shore tax havens in order to avoid U.S. taxes. They are, in effect, renouncing their U.S. citizenship to cut their tax bill. A partner in one of the firms marketing these so-called "inversion" deals admitted that some companies may be concerned that it is unpatriotic to abandon their U.S. corporate citizenship. But she went on to say that some companies are coming to the conclusion that "the improvement on earnings is powerful enough ... that maybe the patriotism issue needs to take a back seat..."

This is very troubling, especially now, as we all try to pull together as a nation. Inversion transactions and the earnings stripping that ensues can do serious harm. They undermine public confidence in the tax system. They make average taxpayers carry the tax burden because the big guys are paying less. The local hardware store in Butte, Montana isn't re-incorporating in Bermuda or one of these tax haven countries. He is keeping his company an American company. The companies reincorporating in tax haven countries, and their executives, are still physically located in the United States. Their executives and employees enjoy all the privileges afforded to honest U.S. taxpayers. I understand that the corporate inversion issue is complex. I also understand that, over the long term, we may need to consider whether the structure of the U.S. international tax rules creates an incentive for U.S. corporations to shift their operations abroad in order to remain competitive.

This week is the last week leading up to the April 15<sup>th</sup> tax filing deadline. Families in Montana and across the nation are sitting down at their kitchen tables, or at their home computers, and figuring out their taxes. The calculations may be complex, the tax bite may seem high, but by and large, with quiet patriotism, average Americans will step up and pay the tax they owe. They're counting on us to make sure that sophisticated corporations pay their fair share, as well.