Senator Robert P. Casey

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Casey Presses for Action on Inversions, Loophole that Allows Companies to Reincorporate Abroad to Avoid Paying Fair Share of Taxes

47 Inversions Since 2004- Up from Just 29 In Previous Two Decades / Companies Increasingly Headquartering Abroad In Moves That Don't Significantly Affect Business Operations / In Letter to Secretary Lew, Casey Cites Loss of Revenue That Burdens American Taxpayers, Potentially Threatening Economic Growth in U.S.

Washington DC- Today, U.S. Senator Bob Casey (D-PA) pressed the Treasury Department for action on the growing trend of corporate tax inversions that has allowed some corporations to shirk their fair share of taxes by incorporating in another country in ways that do not significantly affect business operations. According to the Congressional Research Service (CRS) corporate inversions have increased, with 47 occurring since 2004- a number that's up 29 from the previous two decades. With companies increasingly incorporating abroad for tax purposes, Casey pushed for the Treasury Department to consider action on the increasing number of inversions.

"The increasing trend of corporate inversions is troubling. Companies that are genuinely

headquartered in the U.S. should be responsible for paying their fair share," Senator Casey said. "I'm urging the Treasury Department to look at all available steps to combat inversions so businesses that are playing by the rules can compete on a level playing field."

The full text of Senator Casey's letter can be seen below:

Dear Secretary Lew:

I write to express my concern about the growing trend of corporate inversions. I appreciate hearing your thoughts on the topic last week.

As you know, inversions have become increasingly popular among U.S. companies aiming to reduce their domestic tax liability. According to the Congressional Research Service, there have been forty-seven inversions since 2004, up from just twenty-nine during the previous two decades.

Recently, it appears, this trend has accelerated sharply. According to Bloomberg, twenty companies have struck inversion deals the past two years alone. This year, several U.S.-based pharmaceutical and medical device companies have publicized their plans to reincorporate abroad. On June 15th, 2014, Minneapolis-based Medtronic announced that it would shift its corporate citizenship to Ireland following its takeover of Covidien. On July 18th, Abbvie, a pharmaceutical company based in Chicago, reached an agreement to acquire Dublin-based Shire and move its legal address to the United Kingdom. On July 14th, Mylan, which is based in my home state of Pennsylvania, announced that it would buy Abbott Laboratories' generic-drug business and reincorporate the new company in the Netherlands.

As you are well aware, the dramatic acceleration of this trend poses a threat to our tax base as well as to domestic economic activity. When added together, the growing list of recent inversion deals amounts to the loss of billions of dollars in future tax revenue. This loss of revenue threatens to burden the American taxpayer and add to our federal budget deficit.

Further, although most inversion deals are designed to change the tax jurisdiction of a firm without significantly affecting its business operations, I am concerned that once American companies relocate their headquarters in a foreign country, they may then relocate assets, jobs and investment abroad. At a time when we need to boost domestic business growth and job creation, it is essential that we encourage firms to keep assets and investment activity here at home. Several of the companies that have recently proposed or completed inversion transactions

have significant operations in Pennsylvania, and I am particularly concerned about the economic impact of these deals on my home state.

As I continue evaluating potential policy solutions, I therefore ask that you provide me with answers to the following questions:

- What is the estimated loss of federal tax revenue resulting from inversion transactions completed in the past two years?
- Looking forward, what impact will corporate inversions have on tax revenue if we take no further action to address this trend?
- What steps, if any, can the Treasury Department take to address this issue in the absence of further legislative action?
- Specifically, what can the Department and the Internal Revenue Service do within existing authorities to more effectively enforce existing anti-inversion penalties?
- What additional resources, if any, would be required to support more effective enforcement of these rules?
- How can existing rules, regulations and tax laws be improved in order to better target inversion transactions motivated primarily by tax considerations, rather than inversions motivated solely by business considerations?
- Many proposals to address the inversion trend, including a proposal in the Administration's Fiscal Year 2015 Budget proposals, would enact or amend tax domicile rules based on whether a company's management and control is based in the United States, or the company maintains significant business activities in the United States. How easily enforceable are these proposals, and what additional resources, if any, would be needed to ensure fair, transparent and effective enforcement?

Clearly, we must address the incentives driving these inversions, and explore both legislative and non-legislative solutions. I believe that in the long run, comprehensive tax reform is the best way to address the issues underlying this trend. As a member of the Senate Finance Committee, I am committed to enacting long-term reforms to our tax code that will encourage domestic investment. However, given the rapidly increasing number of inversion deals, I am considering the

merits of short-term solutions.

I look forward to hearing your thoughts on this important issue.

Sincerely,

Robert P. Casey, Jr.

United States Senate

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