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Legislature Could End Offshore Tax Haven Abuse That Costs Utah Schools $103 Million Each Year

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A Simple Fix for a $17 Billion Loophole: How States Can Reclaim Revenue Lost to Tax Havens, January 2019

(/media/k2/items/cache/1148c0c947ba828ea344776aa0a78f01_XL.jpg)
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New Report: Legislature Could End Offshore Tax Haven Abuse That Costs Utah Schools $103 Million Each Year

Salt Lake City - As the Utah Legislature prepares to convene for its 2019 General Session next week, a new report (https://itep.org/a-simple-fix-for-a-17-billion-loophole/) finds that multi-national corporations doing business in Utah, many in direct competition with Utah-based businesses, are unfairly hiding their profits in offshore tax havens, leaving it to local businesses and residents to pick up the slack -- which adds up to $103 million.

The good news is that there is a simple fix that the Utah Legislature can enact during the coming legislative session: Worldwide Combined Reporting. Like most states, Utah already enforces Domestic Combined Reporting to prevent multi-state companies from employing a variety of schemes to artificially shift profits to lower-tax states and avoid paying their fair share of Utah's corporate income tax, all of which goes to fund Utah's schools. But many large companies have taken unfair advantage of globalization to artificially shift profits to tax havens abroad like the Cayman Islands, and state tax laws have not kept up.

Patrice Schell, Voices for Utah Children's State Priorities Partnership Fellow, commented, "The Governor has proposed a package of tax modernization proposals that seek to update our laws to keep up with changes in our economy. Worldwide Combined Reporting should be on that list so that local businesses aren't at an unfair disadvantage trying to compete with global giants who are gaming the system to avoid paying their fair share."

Matthew Weinstein, State Priorities Partnership Director at Voices for Utah Children, added, "Utah has a healthy budget surplus this year, but that usually happens right before the next recession. $103 million of new revenue would go a long way to addressing the current underfunding of Utah's PreK-12 education system, which has some of the worst teacher attrition and overcrowded classrooms in the nation, as well as high school graduation rates that are behind national averages for every racial and ethnic group."

The new report, entitled "A Simple Fix for a $17 Billion Loophole," was authored by the Institute on Taxation and Economic Policy (ITEP), based in Washington, DC and the U.S. Public Interest Research Group (PIRG), based in Boston, MA. The 36-page report is available online at https://itep.org/a-simple-fix-for-a-17-billion-loophole/ (https://itep.org/a-simple-fix-for-a-17-billion-loophole/).

"When multinational businesses dodge billions in taxes, that money doesn't come out of a hat. It means states have less money for public priorities such as education or it means that other businesses or individuals end up paying more," said U.S. PIRG Education Fund's Nathan Proctor, one of the report's authors. "Luckily, states can even the playing field and recover billions of dollars for critical services without raising tax rates."

"Congress promised to address offshore tax dodging in the 2017 tax package, but it failed entirely," said Richard Phillips, a report co-author and senior policy analyst with ITEP. "If states were waiting on Washington to fix these problems before, they can't now. And our report shows that they don't have to."

"Our tax system is unfair and inefficient -- and federal reform failed to address those concerns," added Bill Parks, founder of Idaho-based SalesFactor.org. "Worldwide Combined Reporting makes tax return filing easier for small businesses, and ends the grossly unfair advantage larger multinationals currently have on their small business competitors. It should be a no-brainer."

"Right now, responsible businesses pay their fair share of taxes, while others are allowed to dodge and avoid their fair share. That hurts everyone," said John O'Neill of the American Sustainable Business Council, which has a member network representing 250,000 businesses. "Too many companies have abandoned their moral obligation to pay the full amount they owe for the public services and infrastructure they use in our states. That means other taxpayers, including small businesses, have to pay more."

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