



To: Chairman Hinds, Chairman Cusack, Vice Chair Brownsberger, and Vice Chair Schmid and members of the Joint Committee on Revenue

Fr: Deirdre Cummings, Legislative Director for MASSPIRG
Nathan Proctor, National Campaign Director, USPIRG

October 22, 2019

RE: In support of HB 3787, *An Act Relative to Tax Havens and Complete Reporting*

MASSPIRG is a 45 year old, non- profit, non- partisan, public interest organization working to protect consumers, encourage a fair and sustainable economy, and foster a responsive, transparent and democratic government. We are affiliated with USPIRG, our national network working with all the state PIRGs on public interest reforms across the country and in Congress.

MASSPIRG is strongly in support of *HB 3787, An Act Relative to Tax Havens and Complete Reporting* filed by Representative Josh Cutler (Pembroke) to reduce tax avoidance through the use of offshore tax havens. The bill would require Massachusetts to adopt a “Complete Reporting” system, eliminating loopholes that allow companies to book profits made in the state offshore. This change would save Massachusetts taxpayers \$669 million a year while making the tax code fairer for ordinary taxpayers and small businesses.¹

Every year, corporations use complicated schemes to shift U.S. earnings to subsidiaries in offshore tax havens—countries with minimal or no taxes—in order to reduce their state and federal income tax liability by billions of dollars. In 2017, a U.S. PIRG study found that Fortune 500 companies had accumulated \$2.6 trillion offshore.²

Meanwhile, smaller, wholly-domestic U.S. businesses cannot game the system in the same way. The result is that large multinational businesses compete on an uneven playing field, avoiding taxes that their smaller competitors must pay. Innovation in the marketplace is replaced by innovation in the tax code. Our local small businesses aren’t stashing profits in subsidies in the Cayman Islands, they pay what they owe. This kind of tax avoidance leaves taxpayers—both businesses and individuals—to foot the bill for vital services including transportation, education, and public safety. Everyone should play by the same rules.

¹ USPIRG Education Fund, [A Simple Fix for A \\$17 Billion Loophole](#), January, 2019.

² USPIRG Education Fund, [Off Shore Shell Games, October](#), 2017.

In our recent report, [“A Simple Fix for A \\$17 Billion Loophole,”](#) we found that by moving to a worldwide report, or “Complete reporting,” Massachusetts would close the tax haven loophole collecting an additional \$669 million in tax revenue while making the tax code more competitive for domestic companies.

A complete report requires a company to report their total, global profits, and the portion of that overall business done in a given jurisdiction. If, for example, a state makes up 2 percent of a company’s global business, then 2 percent of their taxable profit would be subject to the state’s tax rate.

Because this approach doesn’t let companies decide where to book their profits, but instead requires them to use a formula, they cannot declare that profits fairly earned in Massachusetts were earned abroad. ***An Act relative to tax havens and complete reporting***, H. 3787 builds on the domestic combined reporting system Massachusetts already has in place to prevent profit shifting to low-tax states, but closes the water’s edge loophole that allows companies to continue to hide profits offshore. It’s simpler, and more fair.

When large companies use off-shore tax havens to avoid paying their taxes they leave both businesses and individual taxpayers to foot the bill for vital services including transportation, education, and public safety.

This legislation will help ensure that the burden of paying for our state’s roads, bridges, schools and public services is shared equitably.

As you face tough questions on the budget, this part should be easy. We can start by making our tax code more fair by making all companies play by the same rules.

We hope you will pass this bill from your committee.