

MAINERS for TAX FAIRNESS

mainersfortaxfairness.org

LD 428: An Act to Prevent Tax Haven Abuse

Huge, multinational corporations such as Apple, Pfizer, Exxon Mobil and Google, use offshore tax havens to avoid paying taxes on billions of dollars of profits every year.

These corporations benefit from Maine's public investments but aren't paying their fair share in taxes to support the public services that make Maine a good place to do business. Corporations exploit the tax havens loophole to avoid up to \$52 million of taxes annually, according to [a report by the Maine Center for Economic Policy](#).¹

LD 428 will curb the abuse of tax havens by multinational corporations that do business in Maine by requiring them to claim US-based profits stashed in known offshore tax havens when they file their taxes.

Huge Corporations Exploit the Tax Havens Loophole to Get out of Paying Their Fair Share

The world's largest corporations employ an army of lawyers and accountants to use complex accounting schemes to avoid paying their taxes. The tax haven loophole is a big example. These companies book US-based profits to foreign countries with low or no taxes, thereby avoiding paying taxes in the US and in Maine.

In 2016, Fortune 500 companies held a total of \$2.6 trillion in offshore profits. In some cases, corporations are claiming foreign profits that would be impossible to attribute to sales in that country.

For example, US-based multinational companies reported in IRS filings that \$104 billion in their combined profits were generated in Bermuda in 2012, despite the GDP of the country being only \$6 billion that year. This disparity shows clearly that these profits were not generated from substantial business activity in Bermuda, and instead were the result of offshore tax haven abuse.

Requiring corporations to claim profits booked to known tax havens will help Maine clamp down on tax avoidance and make corporations pay more of their fair share.

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Tax Haven Abuse Shifts the Cost of Economy–Boosting Public Investments to Mainers and Small Businesses

Mainers invest a lot to create the strong economy where corporations can succeed. They benefit from Maine's schools, public roads and bridges, and services like child care and health care.

But instead of paying their fair share to sustain and improve economic conditions for future generations, they are paying an army of lawyers and accountants to exploit offshore tax havens and get out of paying taxes.

This tax avoidance scheme is unfair to Maine families and Maine-based small businesses who pay their taxes every year to support their communities while corporations use complex accounting schemes and freeload off Mainers' public investments and services.

LD 428 will make Maine's tax code fairer by making big international corporations pay more of their fair share for investments that help them succeed.

Tax Haven Abuse is a National Problem, but Maine Lawmakers Can Limit its Effects in Our State

Companies that do business all over the US pay state income taxes based on the percentage of national sales generated in Maine. That's why even though a company such as Amazon, which is based in Washington state, still owes taxes to Maine.

So, when corporations use tax havens to artificially reduce the size of their national profits, it affects the amount of taxes they owe at the state level. That's how this tax loophole costs Maine \$52 million annually.

Action is needed at the federal level to fully rein in the use of offshore tax havens by multinational corporations based in the United States. But state policymakers don't need to wait for Congress to act. Legislators could enact relatively straightforward changes to the state's corporate tax code that would ensure corporations pay taxes on the profits generated in Maine.

LD 428 is a proactive step Maine's elected officials can take to close unfair tax loopholes that benefit big corporations at great cost to Maine families and small businesses.

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About Mainers for Tax Fairness:

Mainers for Tax Fairness is a coalition dedicated to cleaning up Maine's tax code to fund investments that build thriving communities. The coalition represents teachers, health care providers, policy experts, workers, small business owners, advocates for children and families with low incomes, and other groups fighting to improve tax fairness and build a stronger, more inclusive economy for all Mainers. Learn more at mainersfortaxfairness.org.

¹ Austin, Sarah. "Corporations' international tax avoidance costs Mainers millions at home." Maine Center for Economic Policy. February 5, 2020. <https://www.mecep.org/wp-content/uploads/2020/02/MECEP-Issue-Brief-Tax-Havens-2020.pdf>