

July 14, 2020

The Honorable Maxine Waters
Chairwoman
U.S. House Committee on Financial Services
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member
U.S. House Committee on Financial Services
Washington, D.C. 20515

RE: Disclosure of Tax Havens and Offshoring Act (H.R. 5933)

Dear Chairwoman Waters and Ranking Member McHenry,

As investors that collectively manage assets in excess of \$811 billion, we write to urge you to support the Disclosure of Tax Havens and Offshoring Act (H.R. 5933). The legislation would require much-needed disclosures of material information to better allow investors to gauge risks and assess value, strengthen the current state of opaque tax reporting by corporations, and meet emerging global country-by-country reporting standards.

Investors require income and tax information at the country-by-country level to better understand a company's financial, reputational, and economic risks to make informed investment decisions.

Given the global movement around tax transparency—with 80 percent of companies surveyed by Deloitte expecting public country-by-country reporting to be adopted in the next few years—we support legislation to conform US disclosure requirements to meet emerging uniform global standards for those who invest in US companies.

Investors can face material financial risk from multinational corporations at odds with tax authorities. Government tax authorities are increasingly cracking down on aggressive tax planning used by companies to minimize their tax liabilities, achieve hidden competitive advantages, and generate artificial profits through tax refunds and other tax benefits. For example, Apple was ordered by the European Union to repay Ireland \$15.4 billion in back taxes in 2016, and Facebook is facing an Internal Revenue Service (IRS) lawsuit over \$9 billion in unpaid taxes. When governments take action against companies utilizing high-risk corporate tax practices, the financial consequences for companies and investors can be severe.

Globally, there is both growing support among investors and emerging standards for disaggregated corporate tax disclosures on a country-by-country basis, including from the United Nations Principles for Responsible Investment (UNPRI), the Chartered Financial Analyst Institute, and the Global Reporting Initiative (GRI).

- The UNPRI, a network representing investors with more than US\$100 trillion in assets under management, has urged companies to publish tax information on a country-by-country basis and to become more transparent on their overall approach to tax policy and how their tax policy interacts with their broader business and sustainability strategies.
- The Chartered Financial Analyst (CFA) Institute, with 137,000 members in 150 countries, highlighted the importance of tax disclosures as a vital source of information for investors in comments to the Financial Standards Accounting Board.
- And the Global Reporting Initiative (GRI), an international standard-setting body whose reporting guidelines are followed by more than three-quarters of the companies listed on the Dow Jones Industrial Average, recently launched its new tax transparency reporting standard that include public country-by-country reporting. This standard was widely supported by investors. The GRI standard is similar to the provisions in the Disclosure of Tax Havens and Offshoring Act, and we note many companies are moving to adopt the standard, which becomes effective in January 2021.

At the same time, the member nations of the G20/OECD Inclusive Framework have already agreed to require the largest multinational companies to report the same financial information at a country-by-country level to tax authorities. While that should be helpful for tax authorities to catch tax evasion, it is of little use to investors who cannot see this information.

To that end, H.R. 5933 would require multinational corporations to publicly release basic revenue and tax information that they are already required to collect and privately report to the IRS under an earlier multilateral agreement. By utilizing an existing framework, the bill minimizes any costs or other burdens on the multinational businesses.

Disclosure would level the playing field for investors. Currently, companies themselves have access to revenue, profit, tax and other information on a country-by-country level. And through the OECD's Base Erosion and Profit Shifting initiative to require county-by-country reporting for multinational companies, tax authorities now have this information as well. The group that still does not have access to full tax disclosures are the investors that are putting their funds at risk.

Therefore, we urge you to remedy the situation by supporting the Disclosure of Tax Havens and Offshoring Act and encourage you to move the bill through the House Committee on Financial Services quickly.

We thank you for your consideration of our views. If you have questions, please feel free to contact John Keenan (jkeenan@afscme.org) at AFSCME.

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