Crapo Statement at Hearing on International Tax Policy
May 11, 2023

Washington, D.C.--U.S. Senator Mike Crapo (R-Idaho), Ranking Member of the U.S. Senate Finance Committee, delivered the following remarks at a hearing entitled on international tax policy.

As prepared for delivery:

“Thank you, Mr. Chairman.

“Almost eight years ago—before the Republican-enacted Tax Cuts and Jobs Act—this Committee’s bipartisan working group concluded: our international tax system was ‘clearly broken.’

“Inversions were on the rise, used as a defensive strategy by U.S. companies to fend off foreign takeovers.

“Mr. Chairman, you rightly observed this ‘inversion virus’ was ‘multiplying every few days.’

“Ironically, the bipartisan report cited the pharmaceutical industry to illustrate how the pre-TCJA tax code made ‘U.S. companies more valuable in the hands of foreign acquirers.’

“In seeking to put TCJA on trial, today’s hearing ignores facts that have flipped the competitive edge in our favor.

“Fact: TCJA completely cured the inversion virus.

“By enacting competitive tax rates and reforming how we tax foreign income, U.S. companies and their workers can now win in the global marketplace.

“Prior to the pandemic, TCJA’s reforms led to one of the strongest economies in generations: unemployment dropped to a 50-year low, economic gains flowed to all demographic groups and income levels, and American businesses reported record R&D investment.

“But TCJA was far from a corporate giveaway: it significantly broadened the tax base, including introducing the first global minimum tax of its kind.

“The result of that prescription? Record-high corporate tax receipts.

“In short, TCJA is a vast improvement over the prior system.

“Of course, we should not rest on our laurels. In the changing global landscape, we should consider refinements that would allow U.S. companies to further invest and expand domestically without harming their ability to compete globally.

“Cherry-picking data from an industry to defame TCJA ignores how the threshold question has dramatically changed since 2017.

“No longer is the question whether our tax code drives our companies overseas, costing American taxpayers billions.

“Rather, critics’ chief complaint now appears to be the U.S. fisc deserves a bigger slice of the success that our companies are now able to achieve, in large part due to TCJA.

“I agree that we should examine how international tax policy impacts our tax base, while ensuring we remain an attractive place for investment to boost our workers’ job opportunities and wages.

“In that context, Congress must seriously examine the commitments this Administration has made in OECD international tax negotiations.

“The last two-plus years, this Administration has used those negotiations in an attempt to compel domestic law changes, disregarding the effect on U.S. revenue, companies and workers.

“Without consulting Congress, much less obtaining its consent, it collaborated with the OECD on a cartel-like global tax code with a trilogy of new taxes, which appear to put America last.

“The first piece mandates a global minimum level of tax on large companies. The U.S. already has one, thanks to TCJA. But, at our own Administration’s urging, it was not deemed good enough for the new world tax order.

“The second is the enforcement mechanism, the UTPR: this extraterritorial tax greases the skids for a foreign revenue grab and blatantly undermines important job-creating tax policies passed by Congress on a bipartisan basis.

“And the final one drains the U.S. fisc. The global tax code sanctions a pathway for a domestic minimum tax and Treasury agreed to give priority to those taxes over the TCJA minimum tax, essentially handing each foreign country a model vacuum to suck away tens of billions from our tax base.

“But the most indefensible position agreed to by Treasury? The disparate treatment of investment incentives for each tax in the trilogy, tilting the scale in favor of our competitors.

“Investment incentives historically enacted by Congress—nonrefundable tax credits such as the R&D credit—are treated punitively by the UTPR compared to refundable credits and government subsidies more commonly used in other countries.

“In other words, the OECD high priests have condemned tax competition, but blessed government subsidies.

“That is why the Administration’s narrative of the global tax code halting the so-called ‘race to the bottom’ rings quite hollow.

“In reality, if one adopts that rhetoric, the global tax code creates a more supercharged ‘race to the bottom’—a race for increased subsidies in government-favored industries. Even Biden’s former lead OECD negotiator recently acknowledged this.

“Maybe most concerning is which country may benefit the most from this failed game of whack-a-mole.

“China bestows hundreds of billions of dollars in subsidies every year upon its favored domestic companies, and they do it far better than any other developed country.

“Given the Administration’s failure to subject this deal to careful public scrutiny and analysis, this global tax code could result in an ‘America Last’ policy that cedes ground to China.

“Congress should seriously probe whether the Administration agreed to a global tax code that materially harms our businesses, workers and the fisc.

“In the interim, Mr. Chairman, I look forward to hearing from today’s witnesses on their perspectives on the international tax challenges we face in today’s global economy.”