

## THE TAXONOMIST

# Standing Up Against America

An army of mercenaries has enlisted to defend the Bermuda tax loophole.

BY ROBERT S. MCINTYRE

Everybody's annoyed at big American corporations renouncing their citizenship and moving to Bermuda to avoid taxes. The public heat has forced even most Republican politicians to pretend to be outraged. In recent months, PricewaterhouseCoopers Consulting abandoned its plan to incorporate in Bermuda, as did Stanley Works, the poster child for unpatriotic corporate behavior. Who could defend this disreputable practice? Well, it turns out that quite a few people are weird enough, or have been paid enough, to do so.

On August 29, a collection of right-wing ideologues sent a letter of praise to House Ways and Means Chairman Bill Thomas (R-Calif.) for introducing legislation generally calling for *more* offshore tax abuses. But they expressed deep concern that Thomas felt forced to take a small step to address the specific Bermuda loophole—albeit temporarily. According to the right-wingers, even briefly creating “barriers against companies that wish to re-charter” is “misguided” and would “undermine economic growth.”

Who signed this astonishing endorsement of unpatriotic corporate behavior? Representatives from thirty Republican groups, including the Heritage Foundation, the Cato Institute, Citizens against Government Waste, Citizens for a Sound Economy, the National Taxpayers Union, Paul Weyrich's Christian-right Coalition for America and, of course, Grover Norquist of Americans for Tax Reform. These guys not only need to have their heads examined, they also ought to consider changing their names. How about the Coalition *Against* America? Or Citizens for an *Insane* Economy? Or in Grover's case, *Bermudians* for Tax Reform?

Not surprisingly, the unpatriotic expatriating companies themselves are also waging a fierce battle to keep their tax shelter. The former Andersen Consulting, for example, which renamed itself Accenture as part of its Bermuda tax dodging, has hired big-time GOP political consultant (and Bush family confidant) Charlie Black, the disgraced almost House Speaker Bob Livingston (R-La.), former senator Dennis DeConcini (D-Ariz.) of the Keating Five and Ken Duberstein, chief of staff in the Reagan White House.

The notorious Tyco International has persuaded the previously honorable Bob Dole to defend its Bermuda tax abuses. Former Ways and Means Chairman Bill Archer of PricewaterhouseCoopers is flacking for two Houston oil companies that have renounced their U.S. citizenship. Indeed, the tax dodging companies seem to have “hired everybody in town,” one lobbyist told the *Washington Post*.

In defense of the indefensible, the lobbyists offer two contradictory arguments, neither even slightly plausible. The funniest claim is that tax avoidance wasn't why the companies moved

offshore—merely “a minor factor,” as Bob Livingston puts it on behalf of Accenture. Actually, Livingston asserts, Accenture's European partners suddenly decided they couldn't stand being headquartered in the U.S., while the American partners were adamant that they wouldn't accept European control. “So they picked a nice island, Bermuda,” Livingston told the *Post*.

Well, gee, if avoiding taxes isn't a big deal, then why are the companies so upset about proposals to close their tax loophole? And if Accenture really was only seeking “neutral turf,” then why does its SEC filing note that “Accenture Ltd is a Bermuda holding company with no material assets other than . . . shares in . . . Accenture SCA, a Luxembourg partnership”? Last time I checked, Luxembourg was in Europe.

The lobbyists' second claim concedes the obvious: avoiding taxes was indeed the *only* reason their clients moved offshore. Sadly, we're told, they were forced to do so, because otherwise U.S. tax law would unfairly tax them on their foreign earnings—under our allegedly “worldwide” corporate tax system. This claim is also a ridiculous falsehood.

In calling our tax system “worldwide,” the lobbyists conveniently fail to mention a rather large exception to that supposed rule: U.S. taxes on foreign profits are deferred indefinitely. And in the rare cases in which companies decide to waive deferral, U.S. taxes are almost always completely offset by a credit for taxes paid to foreign governments.

Rather than taxing companies on their foreign profits, we try, with insufficient success, to tax companies solely on what they earn in the U.S. For their part, the multinational companies try, with considerable success, to recharacterize their U.S. profits as “foreign” in order to avoid paying taxes on their U.S. earnings. That's precisely the goal of the Bermuda shelter, as it is for a wide array of other abusive offshore tax machinations.

Despite the poverty of their arguments, the lobbyists against patriotism are not without influence. Speaking for President Bush, Treasury Secretary Paul O'Neill has swallowed the companies' bogus “worldwide taxation” complaint hook, line and sinker. So have all the Republican members of the Ways and Means Committee, along with many of the Democrats. Reporters, too, often are confused by the relentless onslaught of corporate lies.

Fortunately, on this issue, the general public seems smarter than our leaders and scribes. Unfortunately, that may not be enough to win the battle.

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Get GAO report: 4 companies in top 100 US contractors have inverted. Total contracts in 2001: \$2.7 billion. Companies are: McDermott International Inc. of Panama (\$1.885 billion), Foster Wheeler Ltd. of Bermuda (\$286.3 million), Accenture Ltd. of Bermuda (\$279.0 million), and Tyco International Ltd. of Bermuda (\$206.4 million).