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Contact: Steve Wamhoff  
(202) 299-1066 x33

## **“Gang of Six” Plan Would Reduce Revenue and Encourage Corporate Tax Dodging**

**But Gang of Six Calls for Smaller Tax Cut than President Obama or Republican Leaders Propose**

The plan released yesterday by the “Gang of Six” U.S. Senators to reduce the budget deficit includes revenue measures that would actually *increase* the deficit. The document says that the “tax reform” provisions in the plan would reduce revenue by \$1.5 trillion by 2021 compared to the Congressional Budget Office’s current law baseline.

This means the plan would reduce taxes compared to what would happen under current law if Congress simply does nothing.

### **Senators Hope that Manipulation of Baselines Will Be Too Arcane for Media or Public to Understand**

How can these Senators justify including tax cuts in a plan that has the ostensible purpose of reducing the deficit? They use a common, if deceptive, accounting gimmick.

They not only compare their plan to “current law” but also to an alternative baseline that assumes that the Bush income tax cuts have been made permanent for incomes below \$250,000 for married couples and below \$200,000 for unmarried taxpayers, and also assumes that the Bush estate tax cut has partially been made permanent. In other words, they compare their plan to what would happen if Congress makes permanent 81 percent of the Bush tax cuts, which are scheduled to expire at the end of 2012 under current law.

Compared to this assumption that Congress will enact a permanent Bush tax cut extension that Congress has never enacted, the tax reform envisioned in the Gang of Six plan would *raise* an asserted \$1 trillion over a decade.

“Whatever you think about tax cuts, we should all agree that they are not part of deficit reduction,” said Robert S. McIntyre, director of Citizens for Tax Justice. “Comparing a plan with tax cuts to even larger tax cuts that Congress has never enacted does not magically make the plan a revenue generator.”

“Still,” McIntyre added, “the Gang of Six plan calls for a considerably smaller tax cut than either President Obama or congressional Republicans have proposed.”

### **Plan Would Exempt Corporate Profits Shifted to Tax Havens**

Because our tax system allows U.S. corporations to indefinitely “defer” U.S. taxes on their offshore profits, it already encourages corporations to move jobs overseas and to disguise their U.S. profits as “foreign” profits by shifting them to tax havens.

There would be even more incentives for corporations to do both these bad things under the “territorial” tax system promoted by corporate lobbyists and included in the Gang of Six plan.

“We already have huge problems with corporations moving jobs overseas and shifting their profits to tax havens to reduce their U.S. tax bills,” said McIntyre. “Giving corporations a permanent tax exemption for their purported offshore profits will make things much worse. The only real solution is for Congress to do the opposite and end the defect in our tax system that allows U.S. corporations to indefinitely defer their U.S. taxes on purported offshore profits.”