United States Senate
WASHINGTON, DC 20510

June 7, 2016

The Honorable Jacob J. Lew
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

The Honorable John Koskinen
Commissioner
Internal Revenue Service
1111 Pennsylvania Avenue NW
Washington, DC 20224

RE: Country-by-Country Reporting (REG-109822-15)

Dear Secretary Lew and Commissioner Koskinen:

We write to thank you for your efforts to implement country-by-country reporting of key financial and operational data of large multi-national corporations, and we urge you to strengthen your proposed reporting rule to provide public access to country-by-country data.

We believe multi-national corporations should not be allowed to use tax loopholes and other gimmicks to avoid paying their fair share of taxes. Unfortunately, in recent years, a number of multi-national corporations have found ways to pay little or no tax in the United States, despite having large operations and a significant portion of their customers in this country.

Aggregate figures have long indicated that a number of large corporations are engaged in extensive shifting of profits to tax havens. For example, in 2010, U.S.-based companies reported total profits in Bermuda of more than 15 times the country's Gross Domestic Product (GDP), a clear indication that a large share of those alleged profits were actually the result of bookkeeping gimmicks, not real economic activity in that country. Data shows similar profit shifting to other tax havens, including Luxembourg, the Bahamas, the British Virgin Islands, and the Cayman Islands, where companies report profits well in excess of a country's GDP.

Country-by-country reporting will provide an important tool to tax authorities seeking to understand profit shifting strategies and to improve targeting of illegal transactions. Despite the aggregate indications of substantial profit shifting by large corporations, without country-by-country reporting by individual firms, right now tax authorities often find it difficult to determine which companies may be engaged in profit shifting, and which particular transactions deserve additional scrutiny. Country-by-country reporting will provide tax authorities with new insight into the strategies and high-risk activities of some multi-national entities, and therefore, we believe country-by-country reporting is appropriate and should be implemented promptly.

However, while we appreciate the proposed rule, we urge to you to take further steps to provide public disclosure of the reported data, which would align the United States with the European Commission's recent proposal on this matter. While appropriate measures should be implemented to avoid the disclosure of certain sensitive business information, in general, there is little reason that a company should not be able to publicly disclose information such as profits, number of employees, and taxes paid in various countries. In Europe, banks have already been required to provide similar data, and in the United States, public companies already provide some disclosures of regional information in their securities filings. For those reasons, we believe that public country-by-country reporting would be beneficial for policymakers and the public as they consider tax reform or other changes to our nation's tax policies.

Thank you for your work to date on the issue of country-by-country reporting, and we look forward to working with you to promptly implement a strong final rule.

Sincerely,

Al Franken
U.S. Senator

Sheldon Whitehouse
U.S. Senator

Edward J. Markey
U.S. Senator

Bernard Sanders
U.S. Senator