OPINION

Opinion articles do not necessarily represent the views of the Portland Observer. We welcome reader essays, photos and story ideas. Submit to news@portlandobserver.com.

Just Say No to Corporate Greed

Let's not hurt children and families again

by Marian Wright Edelman

Repatriation. It's a word many school children probably haven't yet learned to define or even seen very often outside of spelling bees. But when it comes to corporate taxes, repatriation is the cornerstone of an idea that has the potential to severely hurt millions of children and parents and widen the already historic and unconscionable gap between the rich and the poor.

In its simplest definition, repatriation is bringing something back to its country of origin—returning it back home. One of the solutions to the jobs crisis being proposed by some of our Congressional leaders, and lobbied for aggressively by some of the country's richest corporations, is a rehash of an old experiment: enacting a repatriation tax holiday that would temporarily allow U.S. based multinational companies to bring home profits they currently hold overseas at a 5.25 percent tax rate, instead of the usual 35 percent corporate tax rate.

Under current tax law, multinational companies generally pay no U.S. corporate taxes on foreign income until those profits are brought back to the U.S.

As the Center on Budget and Policy Priorities explains, "This effectively allows such firms to defer payment of the U.S. corporate income tax on their overseas profits indefinitely, even though they may obtain an immediate tax deduction for many expenses incurred in supporting the same overseas investments. This can produce a negative U.S. corporate income tax—that is, a net government subsidy—for overseas operations. In addition to causing the federal government to lose tax revenue, this structure gives multinationals a significant incentive to shift economic activity—as well as their reported profits—overseas."

The argument for the repatriation holiday is that giving corporations a huge incentive to bring profits back right now—in the form of an enormous tax break—would bring billions of dollars back to the U.S. economy that would be reinvested and provide a big stimulus to our economy. Corporate proponents and their Congressional bullies argue this will create desperately needed jobs.

But the last time this was tried, under a 2004 Bush Administration plan, it didn't work out that way. Instead, as CBPP points out, "The evidence shows that firms mostly used the repatriated earnings not to invest in U.S. jobs or growth, but for purposes that Congress sought to prohibit, such as repurchasing their own stock and paying bigger dividends to their shareholders. Moreover, many firms actually laid off large numbers of U.S. workers even as they reaped multi-billion-dollar benefits from the tax holiday and passed them on to shareholders."

Many economists and scholars believe that if corporations get their way and get another repatriation holiday, history will repeat itself—and once again the corporations and their shareholders, not American workers, families, and children, will be the only winners.

The nonpartisan congressional Joint Committee on Taxation has estimated the holiday would cost the federal government about $80 billion over 10 years in lost revenue.

The Economic Policy Institute's Andrew Fieldhouse puts it this way: "While there are numerous job creation proposals that would meaningfully lower unemployment, some lawmakers are pushing counterproductive policies disguised as job creation packages. The proposed repeat of the corporate tax repatriation holiday is one such wolf in sheep's clothing."

When the nation is already facing a jobs crisis, and many Congressional leaders are threatening to slash nutrition, child care, and other safety net programs that children and families rely on as a means of balancing the budget, revisiting a failed idea instead of coming up with real solutions and real jobs is a threat children and families and our country cannot afford.

As the Occupy Wall Street protestors are shouting, "Just say no to corporate greed" and to Congress people who continue to raid from the poor and children to curry favor and campaign contributions from the rich.

Marian Wright Edelman is president of the Children's Defense Fund.