

# *U.S. Senate Committee on Finance*

## MEMORANDUM

To: Reporters and Editors  
Re: GAO report on tax haven companies, federal contracting  
Da: Monday, Aug. 30, 2004

Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, ranking member, made the following comments on a new report from the Government Accountability Office, "International Taxation: Tax Haven Companies Were More Likely to Have a Tax Cost Advantage in Federal Contracting."

Here is Sen. Grassley's comment:

"In October 2002, I introduced legislation with Senator Baucus to stop the award of federal contracts to companies that move their headquarters to an offshore post office box to escape U.S. taxes. The Reclaiming Expatriated Contracts and Profits (RECAP) Act was co-sponsored by Senator Collins and referred to the Governmental Affairs Committee. This GAO report confirms what we suspected all along. Expatriated companies pay less taxes and might get more government contracts than companies that stay on U.S. soil. That's 100 percent unfair. The best solution is to stop corporate expatriation altogether. Senator Baucus and I have received overwhelming Senate approval of our bill to help stop corporate expatriations. Our Reversing the Expatriation of Profits Offshore (REPO) Act passed the Senate as part of the Jumpstart Our Business Strength (JOBS) Act in May. The JOBS Act awaits a House-Senate conference committee. I'll do my best to make sure the final bill helps to stop corporate expatriations."

Here is Sen. Baucus' comment:

"GAO's report highlights the real issue with corporate expatriation and tax shelters: fairness. It's just not right that hard working people all over this country pay their fair share of taxes every year while some corporations set up mailboxes overseas to get out of paying what they owe. The Senate has passed tax shelter legislation that removes the tax incentives companies currently enjoy when they move their headquarters overseas. As the GAO report suggests, the failure to get this legislation signed into law is undermining the integrity of our tax system and our competitive economy. The playing field needs to be level for all companies bidding for federal contracts."