



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

November 18, 2015

The Honorable Rosa L. DeLauro
U.S. House of Representatives
Washington, DC 20515

Dear Representative DeLauro:

Thank you for your letter regarding corporate inversions. Your policy guidance and leadership on this issue has been invaluable as the Treasury Department has worked to address the problem of inversions both administratively and legislatively with Congress. We share your concerns about these transactions and agree that the United States must take additional action to deter inversions and to make them more difficult and costly.

As you know, a corporate inversion is a type of transaction in which a U.S.-based company changes its tax residence to reduce or avoid paying U.S. taxes. More specifically, a U.S.-based company engages in an inversion when it acquires a much smaller foreign company and then locates the merged company, for tax purposes, outside the United States, typically in a low-tax country. The principal purpose of such a transaction is not to grow the underlying business, maximize synergies, or pursue other commercial benefits. Rather, the primary purpose of the inversion is to reduce taxes, often substantially. Cross-border mergers that are done for non-tax business reasons generally strengthen the U.S. economy. It is very different, however, when mergers are designed primarily for tax avoidance reasons.

The Administration has been working with you and other Members of Congress for several years in an effort to reform our business tax system, make it simpler and more pro-growth, and address the incentives that encourage companies to engage in inversions. In the interim, it is Treasury's obligation to protect the tax base, and we have repeatedly stated that we will use all of our existing administrative tools to address this problem. Only legislation can stop inversions.

Last fall, Treasury took an important step and announced new guidance that will make it more difficult for companies to undertake an inversion and reduce the economic benefits of doing so. We made it clear then that administrative action could only slow the pace of these transactions, not stop them entirely or permanently. Shortly thereafter, the pace of inversions indeed declined, and some planned deals were abandoned. We also made clear last fall that we were not done, and Treasury has spent the ensuing time period reviewing a broad range of options for further action.

Later this week, we intend to issue additional targeted guidance to deter and reduce further the economic benefits of corporate inversions. As before, we will continue to review our existing authorities to identify additional ways to address this serious problem. It is important to emphasize, however, that Treasury cannot stop inversions without new statutory authority. Unless and until Congress acts, creative accountants and lawyers will continue to find new ways for companies to move their tax residences overseas and avoid paying taxes here at home.

In response to your specific question, about making the list of companies that undertake a corporate inversion public, under current law, Treasury and the Internal Revenue Service, generally are prohibited from sharing taxpayer-specific information. However, in response to requests made by Federal agencies for assistance from Treasury in administering their anti-inversion rules, President Obama included in his Fiscal Year 2016 Budget a proposal, "Limit the Ability of Domestic Entities to Expatriate," that would broaden the definition of an inversion transaction, as well as authorize the Internal Revenue Service to share tax return information with Federal agencies for the purpose of administering an agency's anti-inversion rules. Federal agencies receiving this information would be subject to the safeguarding and recordkeeping requirements under section 6103. Such a statutory change however would not fully address the problem because other Federal agencies anti-inversion rules are not identical to those of the Internal Revenue Code's inversion statute under section 7874. Our staff would be happy to provide technical assistance on a legislative proposal on this specific issue.

Thank you once again for your letter. We look forward to working with you and your staff to protect the U.S. tax base, to address the issue of corporate inversions, and to reform our broken business tax system. If you have additional questions, please contact me or have your staff contact A.J. Bhadelia, Office of Legislative Affairs, at (202) 622-1900.

Sincerely,



Anne Wall
Assistant Secretary for Legislative Affairs

Identical letter sent to:

The Honorable Dick Durbin
The Honorable Sander Levin
The Honorable Jack Reed
The Honorable Lloyd Doggett
The Honorable Sheldon Whitehouse
The Honorable Elizabeth Warren