Senate Committee on Finance
U.S. Senator Orrin Hatch (R-UT), Ranking Member
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Hatch Statement at Finance Committee Hearing on International Taxation

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following opening statement at a committee hearing on international taxation:

I would like to thank Chairman Wyden for holding today's hearing.

I think we can all agree that addressing the shortcomings of our international tax system is a critical step on the road toward comprehensive tax reform.

As we consider reforms to our tax code, our primary goals should be to make the U.S. a better place to do business and to allow American companies to more effectively compete with their foreign counterparts in the world marketplace.

Sadly, when it comes to our international tax system, much of the attention gets placed elsewhere.

For example, in 2013, the OECD launched its Base Erosion & Profit Shifting, or BEPS, project. While we appreciate the OECD's efforts in bringing tax authorities together to discuss and work through issues, many of us have expressed concern that the BEPS project could be used by other countries as a way to increase taxes on American taxpayers.

The issues under negotiation with the BEPS project are complex and can have far-reaching and negative consequences. While I think we should be willing to work through these issues until an international consensus is reached, we should not be rushed into accepting a bad deal just for sake of reaching an agreement.

I think we're right to expect that the Treasury Department will aggressively represent American employers and their workers in the BEPS negotiations, while responsibly consulting with Congress as the discussions proceed. Hopefully, in the end, the focus of these discussions will return to base erosion principles, instead of ways foreign countries can raid the American Treasury or American businesses.

Of course, while the BEPS negotiations are important, the most high-profile international tax issue today is corporate inversions. It seems that almost every day, we are hearing about a U.S. multinational opting to invert to a foreign jurisdiction.

As I have said publicly on multiple occasions, I am greatly concerned about corporate inversions.

Ultimately, the best way to solve this problem will be to reform our corporate and international tax system in a manner that will make our multinationals competitive against their foreign counterparts.

That will mean, among other things, a significant reduction in the corporate tax rate and major changes to make our international tax system more competitive.

Over the past few months, we've seen a handful of legislative proposals to address the issue of inversions. Most of them are punitive and retroactive. Rather than incentivizing American companies to remain in the U.S., these bills would build walls around U.S. corporations in order to keep them from inverting.

This approach, in my view, completely misses the mark.

While it may put a stop to traditional inversions it could actually lead to more reverse acquisition inversions as our U.S. multinationals would, under this approach, become more attractive acquisition targets for foreign corporations.

Whether it is traditional corporate acquisition inversion or a reverse acquisition inversion, the result is the same: continued stripping of the U.S. tax base.

In fact, the approach in the proposed anti-inversion legislation is so misguided it reminds me of an old joke:

A drunk is looking for something under a street light.

A police officer walks up to him and asks what he is looking for.

The drunk says, "My keys."

The police officer helps the drunk look for a few minutes without success and finally asks, "Did you lose your keys here?"

The drunk says, "No. I lost them across the street."

The officer responds, "Then why are you looking for them on this side of the street?"

The drunk replies, "Because the light is better over here."

Once again, the ultimate answer to this problem – and the only way to completely address the issue of inversions – is to reform our tax code.

However, as I've also said publicly, there may be steps that Congress can take to at least partially address this issue in the interim. While I don't support the anti-inversion bills we've seen thus far, I, personally, am open to considering alternative approaches, though I do have a few stipulations as to what proposals I'll consider.

For example, whatever approach we take, it should not be retroactive or punitive. And, it should be revenue neutral.

Our approach should move us towards, or at least not away from, a territorial tax system and should not enhance the bias to foreign acquisitions.

Most importantly, it should not impede our overall progress toward comprehensive tax reform. Toward that end, it should not be inconsistent with our House colleagues' approach. I think there's a growing chorus out there among some of my friends on the other side of the aisle to use corporate inversions as a political wedge issue in an election year. In fact, I was recently the recipient of a very politically-toned letter from Treasury Secretary Lew on this issue. I hope that's not the direction we take. If we actually want to accomplish something on this issue, we're going to have to work together.

As you can see, Mr. Chairman, we have a lot to discuss today. Thank you for holding this important hearing. I look forward to hearing from our panel.

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