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Wyden Statement on Corporate Inversions and the Need for Comprehensive Tax Reform
As Prepared for Delivery

The U.S. tax code is infected with the chronic diseases of loopholes and inefficiency. These infections are hobbling America's drive to create more good-wage, red, white and blue jobs here at home. They are a significant drag on the economy and are harming U.S. competitiveness. The latest outbreak of this contagion is the growing wave of corporate inversions, where American companies move their headquarters out of the U.S. in pursuit of lower tax rates.

The inversion virus now seems to be multiplying every few days. Medtronic, Mylan, Mallinckrodt and many more deals have either occurred recently or are currently in the works. Medtronic's proposed \$42 billion merger with Covidien was record-breaking when it was announced in June. But the ink in the record books had barely dried when AbbVie announced its intention on Friday to acquire Shire for almost \$55 billion. According to the July 15th edition of Marketplace, "What's going on now is a feeding frenzy ... Every investment banker now has a slide deck that they're taking to any possible company and saying, 'you have to do a corporate inversion now, because if you don't, your competitors will.'"

Congress has been aware of the inversion virus for a long time. In fact, it passed legislation purporting to solve the problem a decade ago. But the underlying sickness continues to gnaw away at the American economy with increasing intensity. The American tax code is an anti-competitive mess. Accountants, lawyers, and fast-buck artists looking for tax shelters feed off it. This mess is driving American investment dollars overseas, and according to the Joint Committee on Taxation, it is costing American taxpayers billions.

On a bipartisan basis, the Finance Committee must respond now. First, let's work together to immediately cool down the inversion fever. The inversion loophole needs to be plugged now. Second, let's use the space created by these immediate steps to apply the indisputable, ultimate cure: comprehensive tax reform.

I've got nine long years of sweat equity in tax reform. With former Senator Gregg, and current Senators Begich and Coats, we have produced what still is the Senate's only bipartisan federal income tax overhaul in almost thirty years. Obviously Senators here have differing ideas about tax reform. Let's recognize that what really counts is that the Finance Committee isn't back here once again discussing inversions a decade from now.

Comprehensive tax reform needs to happen soon. The outbreak of inversions shows that without curing the disease once and for all, the illness will keep plaguing the American economy. It will get tougher to create those red, white and blue American jobs. Our tax base will keep eroding. Cash piles trapped overseas will grow. Investment will be driven elsewhere.

The Finance Committee invited a number of CEOs from the inverting companies to join our discussion today. None accepted our invitation. I hope these executives will soon change their minds and be willing to answer questions Finance Committee members have about this issue.

The fact is, without immediate, comprehensive tax reform, an antidote to the inversion virus is needed now to protect the American economy. This wave of inversions may be good for shareholders, investment bankers and private equity firms, yet it is bad for America. America's free enterprise system is at its best when there is a level playing field. And inversions bestow tax favors on some parties and further distort the free market.

Absent tax reform being enacted immediately, what happens if the inversion virus leads to 20 more inversions over the summer? Many inversions to this point have happened in the medical field, but the Wall Street Journal just reported that there is evidence of inversions spreading to manufacturing and retail. How many more infections can America's economic body endure?

Global markets are expanding. Stockpiles of cash sitting overseas are growing at record levels. Foreign competitors are getting more aggressive in chomping at the bit to get a deal on the backs of the American taxpayer. The time for action is now. This committee needs to move now, on a bipartisan basis, to close the loopholes that are fueling the growth of the inversion virus. Then the Finance Committee needs to cure the disease once and for all with comprehensive tax reform. Let's come together on a bipartisan basis to accomplish both tasks, and I will work with each member of the committee every step of the way.

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