Written by Alex Newman on August 29, 2014

Oppressive U.S. Tax Laws Driving Business to Flee America

Burger King's decision to move its headquarters to Canada using what the political class refers to as the "inversion loophole" has sparked another round of outrage from politicians, many of whom seem to believe that companies exist primarily to finance Uncle Sam. Despite claims made by Obama and other Big Government mongers that the strategic relocations show a lack of "economic patriotism," the real cause of the accelerating corporate exodus surrounds oppressive U.S. tax laws almost unique to the United States, experts say. Individual citizens are fleeing, too. Without serious reforms, the trends are likely to accelerate.

The latest major U.S. firm to announce that it was planning an "inversion," Burger King, has already come under major fire from "progressives" and tax-and-spend politicians. Calls for new laws and "executive actions" to chain businesses to the "Homeland" are growing shriller. Statists are demanding boycotts. The Miami-based global fast-food giant, which is also facing boycotts from American conservatives over recent sales of "gay" whoppers, is buying the Canadian coffee chain Tim Hortons for $11 billion. Under the existing tax code, the deal will allow Burger King to relocate its corporate address to Canada and save huge sums.

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Because Canada's corporate tax rates are low by U.S. standards — Washington, D.C., imposes the highest rates of any developed nation on Earth, in addition to taxing profits earned abroad — the move would make a great deal of financial sense. Indeed, because companies are generally required by law to maximize shareholder value, some analysts have even made the argument that companies such as Burger King and others with global operations have an *obligation* to their owners to seek out greener pastures overseas. After all, when better options exist, why should shareholders' profits and capital that otherwise could have been put to productive use be siphoned off and squandered by out-of-control politicians?

Of course, due to demagogues in the political class and "community organizers" demanding more taxes, the burger chain downplayed the potentially massive tax savings from the deal. Instead, it has sought to frame the "inversion" plan primarily as an effort to expand its business. Either way, the markets celebrated, sending stock prices soaring. Warren Buffet, the pro-Obama mega-billionaire who keeps using deception to demand more taxes, is reportedly helping to finance the Burger King-Tim Hortons merger. Analysts said the company could save millions every year on taxes once it is domiciled in Canada.

Burger King, though, is hardly alone. Since Obama took office, more than two dozen major firms have reportedly ditched the United States. Other reports suggested that as many as 70 American firms have already “inverted,” with dozens more now considering it. If it was not for the howling and threats of politicians and Big Government activists, more U.S. firms would undoubtedly be rushing for the exits, as the U.S. tax code makes them increasingly uncompetitive in the global marketplace. Still, despite the gnashing of teeth in D.C., companies are leaving anyway.

Medical technology giant Medtronic, for example, announced earlier this year that it would acquire a smaller Irish company. The deal allows the U.S. firm to move its headquarters to Ireland, where corporate taxes are a fraction of the crushing burden imposed on companies subject to Uncle Sam — 12.5 percent in Ireland versus an official 39.1 percent in the United States. Shareholders, obviously, will reap the benefits, as will the company’s employees and customers.

Other major companies benefiting from inversions in the Obama era include Eaton, which bought Cooper Industries and moved its headquarters to Ireland as well. “Incorporating as an Irish company provides significant global cash management flexibility and associated financial benefits,” the firms explained about the deal, using diplomatic language. According to news reports, Eaton saved $160 million in taxes through the deal. Chiquita Brands and Liberty Global, both major players, also escaped Uncle Sam. Other companies, such as Walgreens, reportedly intimidated and bullied by the federal government, have reluctantly decided to stay — at least for now.

So far, Burger King’s deal appears to have caused the biggest uproar among the political class, probably because of its visibility. Lawmakers, especially Democrats, are up in arms. “We need an immediate fix to forestall a flood of these dangerous inversions and a long term solution that lowers corporate tax rates while instituting a country-by-country global minimum tax,” fumed Big Government-loving Sen. Sherrod Brown (D-Ohio) in response. “This kind of common sense reform will close down tax havens that cost our country revenue and cost American jobs.” By “country,” of course, he meant federal government. It was not clear what jobs he believed would be lost. In fact, the inversions may even help create additional U.S. jobs, experts say.

Meanwhile, some analysts noted that, under the guise of “economic patriotism,” the Obama administration wants to impose an economic “Berlin Wall” to prevent capital and businesses from escaping Washington’s oppressive tax and regulatory regime. Obama, though, is unmoved, denouncing companies that seek to protect their shareholders, employees, and customers from an oppressive tax regime as if they were traitors. “They’re basically renouncing their citizenship and declaring that they’re based somewhere else, just to avoid paying their fair share,” Obama complained. The president has still not made clear how much “fair share” would satisfy his lust for ever-larger and more expensive government.

Politicians on both sides of the aisle, and even Obama, have been pushing to reduce corporate tax rates for years, at least to make them comparable with the taxes imposed in other countries. Other problems with Uncle Sam’s taxation regime include the byzantine maze that requires armies of accountants and lawyers to navigate. Finally, Washington, D.C., also demands what it believes is its “fair share” of corporate profits earned by American companies even in foreign countries, essentially double taxing companies with a U.S. domicile. According to a European study of tax regimes in 100 countries, the U.S. system ranks 94th in its impact on business competitiveness — slightly worse than Marxist dictator Robert Mugabe’s extortion regime in Zimbabwe.

As the wave of inversions accelerates and the problems become too obvious to ignore, talk of "comprehensive tax reform" is growing in tandem. One of the biggest sticking points between Republicans and the Obama administration on reform proposals is the amount of wealth they believe the federal government ought to extract from Americans and the U.S. economy. The White House wants even more than it currently takes in, while GOP members of Congress claim to want "revenue neutral" reforms — in essence, tinkering with the code without siphoning still more money out of the productive economy to stuff government coffers. The administration is now even threatening to use dictatorial "executive actions" to force companies to remain in the Homeland if the American people's elected representatives do not submit to Obama's demands.

At first, Obama Treasury Secretary Jacob Lew acknowledged the obvious. "We do not believe we have the authority to address this inversion question through administrative action," Lew said in July, indicating that Congress would have to act if companies were going to be forcibly chained down to the "Homeland." In August, however, the Treasury decided that it would keep searching for ways to use Obama's "pen and phone" to rule America by decree. "Treasury is reviewing a broad range of authorities for possible administrative actions that could limit the ability of companies to engage in inversions, as well as approaches that could meaningfully reduce the tax benefits after inversions take place," the department said in an August statement.

As *The New American* has been reporting for years, the trend of U.S. companies "renouncing their corporate citizenship" also coincides with an unprecedented wave of Americans giving up their U.S. citizenship. As with the corporations, Americans seeking to sever all ties with Uncle Sam are responding to draconian provisions in the U.S. taxation regime that have made living a normal life all but impossible for millions of middle-class people abroad. Other than the tinhorn dictatorship ruling Eritrea, Washington, D.C., is the only government on the planet that demands tribute from all citizens — regardless of where in the world they live and work.

If Congress does not take action to fix the abusive and burdensome taxation regime, the exodus of capital, jobs, and citizens from the United States will continue to accelerate. No matter what the political class claims, however, the trend has absolutely nothing to do with "patriotism" — and everything to do with economic survival and protecting shareholders from one of the most oppressive tax regimes on Earth.

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