Press Release

Holtz-Eakin: Treasury's Actions are Worse Than Doing Nothing

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American Action Forum President Douglas Holtz-Eakin made the following statement:

"The Treasury announced today a series of administrative actions that 'reduce the tax benefits of — and when possible, stop — corporate tax inversions.' No action would be preferable to these steps.

"The good news is that the Treasury has targeted the actions on inversions, and not on U.S. subsidiaries of foreign corporations in general. Unfortunately, these actions do not address the fundamental problem — the antiquated, uncompetitive U.S. code — or its primary manifestation — the loss of headquarters. Foreign purchasers will still have the advantage in the purchase of U.S. firms and headquarters will continue to exit the United States.

"Worse, they put the Treasury in the business of second-guessing firm transactions that occur either before or after the inversion, solely for the purpose of raising the tax costs of a merger. In some cases, the transactions are disallowed on the basis of lines that are drawn with no economic logic. In others it is entirely a judgment call of the Treasury. How can businesses plan and operate in such circumstances?

"Finally, the rules themselves will be subject to legal uncertainty, making the execution of international mergers and acquisitions more difficult."