Tinkering with Taxes

Posted on October 10, 2016 by David Obringer

The recent debacle Apple has found itself in brings attention to how companies skip from country to country to avoid taxes. In a previous essay, I questioned whether it should be legal to be a 'right to work' state. Lower costs draw corporations away from locations with strong unions and leave those workers behind to fend for themselves. Just as U.S. companies cherry pick within the United States, larger corporations do this internationally.

In the Apple case, Ireland gave them a favorable tax structure. But the European Union (EU) cried foul and demanded that Ireland and Apple meet the rules of the EU, which prohibit governments from subsidizing corporations. It seems the EU views such a tax break as a subsidy. State and municipal governments in this country do it all the time to attract companies.

For some of us, the Ireland/Apple case raises another question, how should United States based companies behave abroad? Reaction to the case in this country is muted as companies are accustomed to receiving corporate welfare. The fault here lies with Ireland and Apple, but our national value system is on display and we ought to take more pride in ourselves.

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Some will argue that our corporate tax structure is to blame, that companies would stay here if it were more profitable. Tinkering with the tax structure, however, has created a labyrinth of legal legislation and loop holes that require the attention of teams of lawyers. In the end, changes in the tax laws have been marginally effective and local taxing authorities must look elsewhere for dollars.

I suggest a legislative solution simpler than trying to amend overly complex and bloated tax laws. The legislation would require all U.S. based companies maintain the same standards abroad as they do in this country. That would mean a company with workers in Thailand get the same pay and benefit package as their workers in Iowa, or Mississippi or wherever their U.S. operations exist. Failure to do so would mean the company would have to be based outside the U.S.

The law would eliminate the downward pressure on wages caused by lower international wage standards. It would also require that companies adhere to U.S. environmental standards and pay taxes at the host county's standard rate. Companies would then need to consider other advantages of having an international presence such as natural resources, distribution advantages, etc., as being the primary reason for their out of country footprint. This law would make our corporations good ambassadors for the United States and promote a positive set of values.

For those quick to claim that business will desert our country, I refer you a piece written by Robert Reich that appeared in Nation of Change on September 14. In it he succinctly states the benefits companies have by staying in this country. Given these reasons, one can see that companies will not leave. For those who decide to give up their corporate citizenship, they will be admitting their plans to exploit workers, manipulate tax laws and pollute the environment. It is best they are not associated with the United States.

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