

Congress of the United States

Washington, DC 20510

August 13, 2014

President Barack Obama
The White House
Washington, DC 20500

Dear Mr. President:

We urge you to take executive action to deny federal contracts to inverted corporations. Through such action, you can make sure that American tax dollars do not fund federal contracts for companies that have renounced their American citizenship.

Over the past decade, nearly 50 major U.S. corporations have given up their U.S. citizenship in pursuit of corporate tax avoidance. Although Congress and the Department of Treasury have acted to stop these tax dodges in the past, a loophole in our tax code is being used more and more. The loophole allows U.S. corporations to move their tax domicile overseas by merging with a much smaller foreign competitor, resulting in billions in taxes avoided. The companies engaging in these tax gimmicks take advantage of our education system, our research and development incentives, our skilled workforce, our infrastructure, our patent and court systems, and our national security, all supported by U.S. taxpayers, to start and build their businesses. When the tax bill comes due, they renounce their citizenship. But, perhaps even more outrageously, they also seek, and win, taxpayer-funded federal contracts from the same country they renounced. Our federal contracting rules should not allow these companies to be rewarded with federal contracts.

For example, medical device manufacturer Medtronic, a company founded in a Minnesota garage and funded with millions in U.S. research and development tax credits, recently announced it was effectively moving its mailbox overseas to escape its tax obligations, though a merger with Ireland-domiciled Covidien. Yet, just last year, Medtronic was awarded a contract by the Department of Defense worth up to \$58 million. In another case, Pfizer, just weeks after winning a \$1.1 billion contract from the Centers for Disease Control, tried to do the same by moving its tax domicile to the U.K. When companies like these compete for contracts against American businesses paying their fair share, we should award those contracts to the American businesses paying taxes, not tax dodgers. "Buy American" should mean we should support real American companies that pay their fair share and do not engage in tax avoidance schemes.

Congress has indicated that it does not support awarding taxpayer-funded contracts to inverted corporations. In 2002, Congress prohibited the Department of Homeland Security from awarding federal contracts to inverted corporations. This ban was later expanded, on an annual basis, to cover the Departments of Treasury, Transportation, and Housing and Urban Development, and in 2007, it was expanded further to cover the entire federal government. However, this ban must be renewed annually and includes the same loophole that

plagues the tax code, meaning that corporations who invert by merging with a foreign competitor, at least one quarter of their own size, are not currently covered.

Every day that we fail to act will result in more harm to the U.S. corporate base. While we recognize that Congress can, and should, eliminate the loophole in current law, we also believe that we cannot afford to wait for tax reform to stop these companies from renouncing their citizenship. Therefore, we urge you to use your executive authority, to the maximum extent possible, to deny federal contracts for corporate deserters.

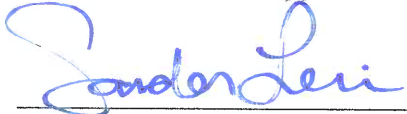
Sincerely,



Rep. Rosa DeLauro



Rep. Lloyd Doggett



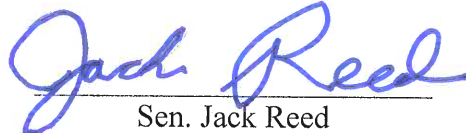
Rep. Sander Levin



Sen. Carl Levin



Sen. Richard Durbin



Sen. Jack Reed