



# How Corporate Donors Get Their Tax Breaks and 5 Ways to Fight Back

By Alex Tausanovitch and Liz Kennedy    November 2017

Center for American Progress



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# Introduction and summary

A Congress that fairly represented the American public would not be racing to finalize a tax bill that gives hundreds of millions of dollars to corporations and the wealthy.<sup>1</sup> By 2027, almost half of the benefits included in the bill passed by the U.S. House of Representatives—and well over half in the U.S. Senate version—would accrue to the top 1 percent of the population.<sup>2</sup> The immense cost of these cuts would eventually result in higher taxes for tens of millions of Americans and at least \$1.4 trillion added to the budget deficit, threatening programs such as Medicare and Medicaid as well as other middle-class priorities such as infrastructure and education.<sup>3</sup>

Yet Congress seems intent on pursuing this deeply unpopular bill—ignoring the “two-thirds of Americans today [who] say corporations pay too little in taxes”<sup>4</sup> and instead catering to the demands of corporations and the very rich. The result, for both our democracy and our economy, is that the powerful become more powerful and the vast majority of citizens are left behind. Our democracy should not work this way, and anti-corruption solutions can change incentives and rebalance power so that government works for the American people.

This report describes how the structure of the U.S. political system incentivizes members of Congress to steer public policy toward special interests and away from the public interest. The report:

1. Provides new data on corporate contributions to current members of the tax-writing committees in the House of Representatives and the Senate
2. Illustrates how such contributions, in concert with lobbying efforts, distort governing choices so that they benefit big corporations and CEOs—not working people and families—shown through the example of the 2004 corporate offshore tax holiday
3. Highlights how the current tax legislation employs many of the same strategies on an even larger scale

The lesson from these data and examples is that there is a need for strong, commonsense solutions to make government better represent the interests of the American public. Americans deserve elected representatives who are responsive and accountable to voters over big donors. In pursuit of that goal, this report sets forth a set of anti-corruption solutions:

- Bar members of Congress from accepting contributions from the interests that they oversee in committee.
- Ban lobbyists from fundraising for members of Congress.
- Expand restrictions on the revolving door that allows members and staff to move from K Street to Capitol Hill.
- Help members of Congress act independently of lobbyists by increasing their policymaking support.
- Help members of Congress focus on their constituents by matching small donor contributions.

These solutions would help restructure the political system—and the economic system—to more fairly represent and serve the American people.

To be clear, this report does not argue that corporations bribe members of Congress or buy political outcomes. Political decision-making is complex; no one campaign contribution or lobbying contact is likely to determine whether a law is passed. Rather, members of Congress face an accumulation of corporate-financed incentives that exert a steady pull in the wrong direction. Some of these incentives are financial, such as contributions to their campaigns or leadership political action committees (PACs) or the prospect of a future job. Others, meanwhile, can be subtler, such as the personal relationships that lobbyists develop with members of Congress and the informational resources that lobbyists provide. Collectively, all these things provide powerful incentives for members of Congress to shape public policy in the direction of corporate special interests.<sup>5</sup>

The 2004 tax holiday did not have a happy ending for most Americans and neither will the 2017 tax bill, if Congress is able to pass it despite widespread public opposition.<sup>6</sup> But both examples point to concrete ways in which political incentives can be changed to help prevent special interests from dominating the public interest in America's political decision-making and governance.

# Corporate contributions to members of the House Ways and Means Committee and the Senate Finance Committee

The pending tax package—both the legislation that passed the House of Representatives and the bill currently moving through the Senate—contains a host of benefits that accrue principally to corporations and the very wealthy. Most notably, it cuts corporate tax rates from 35 percent to 20 percent,<sup>7</sup> a change that will cost more than \$1.4 trillion over its first 10 years.<sup>8</sup> It also creates a loophole for the owners of certain business entities—known as passthrough businesses—and repeals taxes that only affect high-income people and the very wealthy, including the alternative minimum tax and the tax on multimillion-dollar estates.<sup>9</sup>

It is not yet known whether the bill currently moving through Congress will pass the Senate. What is known, however, is that corporate America has gone to great lengths to ingratiate itself to members of Congress on two key committees charged with writing tax policy—the House Committee on Ways and Means and the Senate Committee on Finance:

- So far in 2017, corporate PACs, corporate executives, and other corporate employees have given more than \$27 million to members on the House Ways and Means Committee.
- Corporate sources have given more than \$215 million to members of the Senate Finance Committee in the current six-year cycle, 2013 to 2018.

Although members of both parties have benefited, corporate giving has skewed heavily toward congressional Republicans, whose received contributions totaled \$19 million in the House and \$137 million in the Senate, compared with Democrats' \$8 million in the House and \$78 million in the Senate.

TABLE 1

## Corporate contributions to members of the House Ways and Means Committee and the Senate Finance Committee

Member of Congress	Total corporate PAC and employee contributions (career)	Total contributions (career)	Share of career total contributions from corporate PACs and employees	Corporate PAC and employee contributions, 2018 election cycle*	Years in office	Corporate PAC and employee contributions per year
<b>House Ways and Means Committee (Total)</b>	<b>\$333,641,379</b>	<b>\$503,095,581</b>	<b>66.3%</b>	<b>\$27,195,153</b>	<b>491</b>	<b>\$679,514</b>
<b>(Average)</b>	<b>\$8,341,034</b>	<b>\$12,577,390</b>		<b>\$679,879</b>	<b>13</b>	
<b>Majority (total)</b>	<b>\$199,199,784</b>	<b>\$283,483,890</b>	<b>70.3%</b>	<b>\$19,167,815</b>	<b>199</b>	<b>\$1,001,004</b>
<b>(Average)</b>	<b>\$8,555,145</b>	<b>\$12,173,580</b>		<b>\$806,150</b>	<b>9</b>	
Rep. Mike Bishop (MI)	\$2,431,451	\$3,491,540	69.6%	\$626,374	2	\$1,215,726
Rep. Diane Black (TN)	\$5,340,438	\$8,402,953	63.6%	\$285,793	6	\$890,073
Rep. Kevin Brady (TX) (chairman)	\$16,454,717	\$19,783,257	83.2%	\$2,800,694	20	\$822,736
Rep. Vern Buchanan (FL)	\$10,649,768	\$21,323,465	49.9%	\$701,499	10	\$1,064,977
Rep. Carlos Curbelo (FL)	\$4,502,840	\$8,237,875	54.7%	\$1,161,027	2	\$2,251,420
Rep. George Holding (NC)	\$4,968,261	\$6,970,559	71.3%	\$781,044	6	\$828,044
Rep. Lynn Jenkins (KS)	\$8,350,042	\$10,939,834	76.3%	\$21,000	8	\$1,043,755
Rep. Sam Johnson (TX)	\$9,595,709	\$12,537,816	76.5%	\$0	16	\$599,732
Rep. Mike Kelly (PA)	\$4,704,380	\$6,691,748	70.3%	\$746,754	6	\$784,063
Rep. Kenny Marchant (TX)	\$4,567,765	\$5,678,238	80.4%	\$274,800	12	\$380,647
Rep. Patrick Meehan (PA)	\$8,499,296	\$11,363,128	74.8%	\$963,600	6	\$1,416,549
Rep. Kristi Noem (SD)	\$6,152,587	\$10,039,055	61.3%	\$34,000	6	\$1,025,431
Rep. Devin Nunes (CA)	\$14,214,350	\$15,968,257	89.0%	\$1,169,492	14	\$1,015,311
Rep. Erik Paulsen (MN)	\$12,874,702	\$18,982,903	67.8%	\$1,072,075	8	\$1,609,338
Rep. Tom Reed (NY)	\$8,467,219	\$11,407,205	74.2%	\$1,093,780	7	\$1,209,603
Rep. Dave Reichert (WA)	\$9,214,736	\$15,431,823	59.7%	\$357,100	12	\$767,895
Rep. Jim Renacci (OH)	\$6,537,369	\$9,746,649	67.1%	\$175,260	6	\$1,089,562
Rep. Tom Rice (SC)	\$3,222,332	\$4,488,509	71.8%	\$574,386	4	\$805,583
Rep. Peter Roskam (IL)	\$16,616,113	\$24,143,484	68.8%	\$1,492,586	10	\$1,661,611
Rep. David Schweikert (AZ)	\$3,906,003	\$7,480,962	52.2%	\$448,125	6	\$651,001
Rep. Adrian Smith (NE)	\$5,486,714	\$7,247,898	75.7%	\$441,165	10	\$548,671
Rep. Jason Smith (MO)	\$3,610,382	\$4,616,526	78.2%	\$872,571	4	\$902,596
Rep. Pat Tiberi (OH)	\$23,755,144	\$30,037,466	79.1%	\$2,088,155	16	\$1,484,697
Rep. Jackie Walorski (IN)	\$5,077,466	\$8,472,740	59.9%	\$986,535	4	\$1,269,367
<b>Minority (total)</b>	<b>\$134,441,595</b>	<b>\$219,611,691</b>	<b>61.2%</b>	<b>\$8,027,338</b>	<b>290</b>	<b>\$463,592</b>
<b>(Average)</b>	<b>\$8,402,600</b>	<b>\$13,725,731</b>		<b>\$501,709</b>	<b>18</b>	

continues

Member of Congress	Total corporate PAC and employee contributions (career)	Total contributions (career)	Share of career total contributions from corporate PACs and employees	Corporate PAC and employee contributions, 2018 election cycle*	Years in office	Corporate PAC and employee contributions per year
Rep. Earl Blumenauer (OR)	\$8,060,912	\$12,311,521	65.5%	\$308,490	21	\$383,853
Rep. Judy Chu (D-CA)	\$2,680,559	\$6,814,569	39.3%	\$235,894	4	\$670,140
Rep. Joseph Crowley (NY)	\$18,183,982	\$24,305,116	74.8%	\$1,357,133	18	\$1,010,221
Rep. Danny Davis (IL)	\$2,826,224	\$4,974,496	56.8%	\$104,000	20	\$141,311
Rep. Suzan DelBene (WA)	\$3,964,081	\$13,561,907	29.2%	\$503,595	5	\$792,816
Rep. Lloyd Doggett (TX)	\$6,357,679	\$12,950,492	49.1%	\$128,108	22	\$288,963
Rep. Brian Higgins (NY)	\$3,626,355	\$8,167,592	44.4%	\$243,430	12	\$302,196
Rep. Ron Kind (WI)	\$12,024,638	\$17,066,917	70.5%	\$880,183	20	\$601,232
Rep. John Larson (CT)	\$12,228,225	\$17,066,190	71.7%	\$496,481	18	\$679,346
Rep. Sander Levin (MI)	\$11,397,933	\$20,818,148	54.7%	\$78,150	34	\$335,233
Rep. John Lewis (GA)	\$6,214,104	\$11,199,535	55.5%	\$290,484	30	\$207,134
Rep. Richard Neal (MA) (ranking member)	\$13,956,290	\$17,386,093	80.3%	\$1,346,783	28	\$498,439
Rep. Bill Pascrell (NJ)	\$10,488,444	\$16,832,929	62.3%	\$351,100	20	\$524,422
Rep. Linda Sanchez (CA)	\$5,258,979	\$9,595,085	54.8%	\$564,668	14	\$375,641
Rep. Terri Sewell (AL)	\$5,163,659	\$6,982,081	74.0%	\$554,487	6	\$860,610
Rep. Mike Thompson (CA)	\$12,009,531	\$19,579,020	61.3%	\$584,352	18	\$667,196
<b>Senate Finance Committee (Total)</b>	<b>\$610,027,764</b>	<b>\$1,056,363,832</b>	<b>57.7%</b>	<b>\$215,790,912</b>	<b>360</b>	<b>\$1,694,522</b>
<b>(Average)</b>	<b>\$23,462,606</b>	<b>\$40,629,378</b>		<b>\$8,299,650</b>	<b>14</b>	
<b>Majority (total)</b>	<b>\$332,892,283</b>	<b>\$514,565,137</b>	<b>64.7%</b>	<b>\$137,444,228</b>	<b>208</b>	<b>\$1,600,444</b>
<b>(Average)</b>	<b>\$23,778,020</b>	<b>\$36,754,653</b>		<b>\$9,817,445</b>	<b>15</b>	
Sen. Richard Burr (NC)	\$30,897,191	\$45,247,777	68.3%	\$10,622,017	12	\$2,574,766
Sen. Bill Cassidy (LA)	\$13,581,647	\$23,208,900	58.5%	\$10,301,542	2	\$6,789,574
Sen. John Cornyn (TX)	\$38,981,576	\$56,793,076	68.6%	\$14,628,043	14	\$2,783,684
Sen. Mike Crapo (ID)	\$18,801,808	\$23,504,480	80.0%	\$7,228,133	18	\$1,044,395
Sen. Mike Enzi (WY)	\$9,455,149	\$11,750,742	80.5%	\$3,421,068	20	\$472,632
Sen. Chuck Grassley (IA)	\$24,835,485	\$39,641,941	62.6%	\$6,819,210	36	\$689,811
Sen. Orrin Hatch (UT) (chairman)	\$32,668,149	\$43,450,300	75.2%	\$8,674,321	40	\$816,636
Sen. Dean Heller (NV)	\$14,462,582	\$22,634,075	63.9%	\$6,178,549	6	\$2,409,980
Sen. Johnny Isakson (GA)	\$25,509,312	\$38,191,961	66.8%	\$8,734,861	12	\$2,125,693
Sen. Rob Portman (OH)	\$36,572,120	\$50,614,079	72.3%	\$19,380,523	6	\$6,095,353
Sen. Pat Roberts (KS)	\$16,911,126	\$22,672,808	74.6%	\$6,174,107	20	\$845,556
Sen. Tim Scott (SC)	\$12,217,107	\$16,825,233	72.6%	\$10,236,828	4	\$3,054,277
Sen. John Thune (SD)	\$28,846,697	\$55,228,392	52.2%	\$8,932,019	12	\$2,403,891
Sen. Pat Toomey (PA)	\$29,152,334	\$64,801,373	45.0%	\$16,113,007	6	\$4,857,422
<b>Minority (total)</b>	<b>\$277,135,481</b>	<b>\$541,798,695</b>	<b>51.2%</b>	<b>\$78,346,684</b>	<b>152</b>	<b>\$1,823,260</b>
<b>(Average)</b>	<b>\$23,094,623</b>	<b>\$45,149,891</b>		<b>\$6,528,890</b>	<b>13</b>	

*continues*

Member of Congress	Total corporate PAC and employee contributions (career)	Total contributions (career)	Share of career total contributions from corporate PACs and employees	Corporate PAC and employee contributions, 2018 election cycle*	Years in office	Corporate PAC and employee contributions per year
Sen. Michael Bennet (CO)	\$21,454,820	\$33,726,008	63.6%	\$13,076,641	8	\$2,681,852
Sen. Sherrod Brown (OH)	\$25,778,143	\$58,916,778	43.8%	\$8,696,439	10	\$2,576,434
Sen. Maria Cantwell (WA)	\$16,069,809	\$49,887,504	32.2%	\$2,122,735	16	\$1,004,451
Sen. Ben Cardin (MD)	\$15,352,927	\$24,863,058	61.7%	\$2,327,057	10	\$1,535,293
Sen. Tom Carper (DE)	\$13,630,143	\$18,537,870	73.5%	\$2,685,984	16	\$851,884
Sen. Bob Casey (PA)	\$22,106,818	\$44,765,938	49.4%	\$6,728,005	10	\$2,208,782
Sen. Claire McCaskill (MO)	\$18,757,146	\$44,649,159	42.0%	\$5,202,463	10	\$1,875,175
Sen. Robert Menendez (NJ)	\$33,143,557	\$52,094,656	63.6%	\$3,900,256	11	\$3,013,051
Sen. Bill Nelson (FL)	\$30,917,640	\$51,319,116	60.2%	\$5,665,681	16	\$1,931,834
Sen. Debbie Stabenow (MI)	\$22,490,605	\$51,839,397	43.4%	\$6,460,201	16	\$1,405,288
Sen. Mark Warner (VA)	\$31,838,998	\$71,099,854	44.8%	\$10,713,598	8	\$3,979,875
Sen. Ron Wyden (OR) (ranking member)	\$25,594,875	\$40,099,357	63.8%	\$10,767,624	21	\$1,218,801
<b>Grand total</b>	<b>\$943,669,143</b>	<b>\$1,559,459,413</b>	<b>60.5%</b>	<b>\$242,986,065</b>	<b>851</b>	<b>\$1,108,894.41</b>

Source: Contribution data provided to the authors by the Center for Responsive Politics. Totals include contributions to both members' campaign committees and their leadership PACs.

\* Note: For representatives, the 2018 cycle includes only reports filed in 2017 through September 30. Although senators serve staggered six-year terms, for purposes of consistent data, the 2018 cycle is considered to be 2013-2018 and includes reports filed from 2013 through September 30, 2017.

Over the course of their careers, members of the two committees have received a total of more than \$1.5 billion from corporations and corporate employees. This means that every year House members were in office, they received, on average, about \$680,000 dollars from corporate sources, and senators received, on average, almost \$1.7 million. To put these numbers in perspective, the maximum per-election contribution from a corporate PAC is \$5,000,<sup>10</sup> and the maximum per-election contribution from an individual is currently \$2,700.<sup>11</sup> On average, then, current senators on the Finance Committee have done enough fundraising to get contributions from at least 170 corporations and 315 corporate employees every year for their combined 360 years in office.

These numbers should be cause for concern. Incumbent politicians who have accepted millions of corporate dollars are rewriting the U.S. tax code to the benefit of large corporations.

Campaign contributions, however, are just one part of the influence industry. To understand the full scope of corporate influence, it is also important to account for lobbying and other incentives that moneyed interests use to influence members of Congress. To see how these incentives operate, the next section considers a major corporate tax break that special interests have already fought for and won.

# Corporate lobbying in action: The 2004 corporate repatriation tax holiday

In many cases, policymakers attempt to tuck tax breaks for big corporations into the tax code when nobody is looking. Tax breaks are often inserted without fanfare into lengthy and complicated legislation or created incrementally through a back-and-forth with the IRS, escaping public notice. However, the 2004 offshore tax “holiday” is a rare example where a business tax break was fought for—and won—in the public eye. It is therefore a good example of corporate political influence in action and of how the resulting changes in policy are costly for regular Americans.

Other researchers have written at length about the policy itself, so this report’s description is brief.<sup>12</sup> The idea—initially embedded in the Homeland Investment Act of 2003 and eventually passed as part of the American Jobs Creation Act of 2004—was to give American corporations a large tax break on money held overseas that they returned to the United States.<sup>13</sup> Instead of paying the standard corporate tax rate of 35 percent,<sup>14</sup> businesses would be allowed, temporarily, to bring cash holdings back into the United States at an effective tax rate of 5.25 percent or lower.<sup>15</sup> Big technology and pharmaceutical companies were particularly enthused about this benefit because they had been stockpiling cash overseas, principally to avoid paying U.S. taxes.<sup>16</sup>

On the merits of the tax holiday, three points deserve emphasis:

- The foremost argument for the repatriation tax holiday was that bringing money back into the United States would spur investment and create jobs.<sup>17</sup> In fact, the conservative Tax Foundation found that “between 2004 and 2007 the top 15 repatriating corporations cut 20,931 jobs in the United States.”<sup>18</sup> An extensive 2009 analysis of the tax holiday demonstrated that higher levels of repatriations did not result in any of the promised economic benefits.<sup>19</sup>

- Even before the tax break went into effect, credible, bipartisan sources did not expect it to create jobs or otherwise benefit the economy. For example, the George W. Bush administration's Council of Economic Advisers opposed the tax holiday. The council's former chief of staff, Philip Swagel, later said, "There will be some stimulative effect ... But you might as well have taken a helicopter over 90210 [Beverly Hills] and pushed the money out the door. That would have stimulated the economy as well."<sup>20</sup>
- Repatriation tax holidays encourage businesses to evade U.S. taxes by stashing their profits in offshore tax havens.<sup>21</sup> Periodic tax holidays send the message to businesses that they can offshore as they please and repatriate the money at a bargain rate.

So how did the sausage get made?

69 senators and 280 representatives voted for the American Jobs Creation Act. For the purposes of making this discussion concrete, however, this section focuses on a single key player: then-Chairman of the House Ways and Means Committee Rep. Bill Thomas (R-CA). Thomas was the sponsor of the act, and as chairman of the House's chief tax-writing committee, he would have been one of the most important figures in any tax-related effort.

At some point in 2003, a group of lobbyists approached Rep. Thomas. They represented a newly created organization called the Homeland Investment Coalition (HIC), which included many of the giants of the technology and pharmaceutical industries as well as trade groups such as the Pharmaceutical Research and Manufacturers of America (PhRMA). Their purpose was to convince Thomas and his colleagues to support a repatriation tax holiday, something they had already discussed with other members of the House Republican caucus.<sup>22</sup> The HIC had previously sent a letter to Thomas stating that the tax holiday would "benefit the U.S. economy by: increasing domestic investment in plant, equipment, R&D and job creation."<sup>23</sup> And they represented to the public that the holiday would "give the sagging U.S. economy an immediate shot in the arm."<sup>24</sup>

The HIC was represented by nine registered lobbyists and led by former Rep. Bill Archer (R-TX), who worked alongside Thomas in the House for more than 22 years and was the chairman of the House Ways and Means Committee before Thomas took the job.<sup>25</sup> Others in the group were familiar faces as well; all had previously worked in Congress, in a range of capacities and on both sides of the aisle. Between them, they had more than 110 years of congressional experience.<sup>26</sup>

These were not the only voices on the issue, but they were certainly among the loudest. All told, between 2003 and 2006, the HIC spent more than \$1.5 million on registered lobbyists,<sup>27</sup> more than the total office budget for one member of the House of Representatives.<sup>28</sup> And that only covers lobbyists working directly for the HIC. According to one study, at least 93 firms, including many HIC members, also had their own non-HIC lobbyists work on the repatriation tax holiday, spending nearly \$300 million on lobbying during the relevant period.<sup>29</sup> Although that amount includes some lobbying on other issues, it does not account for lobbyists and consultants who were able to avoid registering as lobbyists because of the loose registration requirements.<sup>30</sup>

Furthermore, not only did all of these lobbyists bring experience and information to the table, but they also brought campaign money. The company they worked for, PricewaterhouseCoopers, donated the maximum per-election amount of \$5,000 to Rep. Thomas' campaign in 2003.<sup>31</sup> For good measure, it also contributed \$10,000—the maximum amount allowed for the primary and general elections—to Thomas' leadership PAC, making the HIC one of his top contributors.<sup>32</sup>

But that is a drop in the bucket compared with how much the industries that PricewaterhouseCoopers and the HIC represented had given to Thomas up to this point in his career—hundreds of thousands of dollars. By the time Thomas retired, he had received almost \$300,000 from the technology and electronics industry;<sup>33</sup> nearly \$600,000 from pharmaceutical companies, one of his top contributors by industry;<sup>34</sup> and a total of more than \$6 million from corporate PACs.<sup>35</sup>

Indeed, this largesse may have made Thomas the chairman of the House Ways and Means Committee in the first place. When Archer, the previous chair, was on the verge of stepping down, the leading replacement candidate was Rep. Phil Crane (R) of Illinois.<sup>36</sup> However, in exchange for the privilege of being the chair of a powerful committee, a member is expected to pay “party dues” to their political party's campaign funds—in recent years, up to and exceeding \$1 million.<sup>37</sup> Although Thomas easily won elections in his conservative district, he needed money to compete for committee leadership, and his reputation as a “prodigious fundraiser” may have given him an advantage over Crane.<sup>38</sup>

But money aside, Rep. Thomas likely had strong social ties to the corporate-lobbyist community. Nearly all members of Congress spend countless hours meeting with lobbyists, calling them, going to their fundraisers, and listening to their concerns.

Many of Rep. Thomas' former staffers joined their ranks.<sup>39</sup> Furthermore, only two years earlier, the congressman's hometown paper, *The Bakersfield Californian*, published an article stating that he had been having an affair with a pharmaceutical lobbyist—whose clients included Pfizer, Johnson & Johnson, and PhRMA—a story that Thomas did not dispute.<sup>40</sup> The lobbyist was later hired as vice president of Eli Lilly, later one of the companies clamoring for the repatriation tax holiday through the HIC.<sup>41</sup> Both Rep. Thomas and the lobbyist denied that their relationship presented a conflict of interest or played a role in the drafting of legislation.<sup>42</sup>

Finally, after serving for more than two decades in Congress, only a few years away from his term limit as chairman of the House Ways and Means Committee, Rep. Thomas may have been thinking about retirement. Half of all members of Congress eventually join the lobbying profession, getting a substantial payday from the same corporate interests that tried to influence their legislative decisions.<sup>43</sup> In 2007, Thomas joined lobbying firm Buchanan Ingersoll & Rooney,<sup>44</sup> whose clients at that time included numerous health care and pharmaceutical companies.<sup>45</sup>

Members of Congress have many competing incentives and interests that impact their decisions. In some cases, corporate-financed incentives may not achieve their desired effect or may simply increase a commitment to a pre-existing point of view. The point here is not that Rep. Thomas supported the repatriation tax holiday because of the circumstances described above, an allegation he would certainly deny. Rather, the point is that these incentives act on every member of Congress and that the American public cannot have confidence that they do not distort political outcomes. Unless corporate contributions and other bad incentives are reigned in, members of Congress will be rewarded when they prioritize corporate special interests over the public interest. This is not a recipe for decisions that fairly represent the American people.

# Current tax legislation benefits big corporate donors at the expense of the average American

As Congress finalizes a new tax bill, the same incentives are in place as before—but on an even larger scale. In 2004, total reported spending on hiring lobbyists was slightly more than \$2 billion.<sup>46</sup> By 2016, that number had increased by 50 percent to more than \$3 billion,<sup>47</sup> even though an increasing amount of lobbying is not being reported.<sup>48</sup> Campaign contributions have increased almost in lock-step—from about \$2.2 billion in the 2004 election cycle to about \$3.2 billion in the 2016 cycle,<sup>49</sup> not including a massive increase in outside spending in the wake of the U.S. Supreme Court’s decision in *Citizens United v. Federal Election Commission*. And corporate donors are making their demands for tax breaks clear: As Rep. Chris Collings (R-NY) recently related to a reporter, “My donors are basically saying, ‘Get it done or don’t ever call me again.’”<sup>50</sup>

As in 2004, corporations have also formed large coalitions to push for the inclusion of favorable tax breaks in the current tax reform legislation. The RATE Coalition, for example, is a who’s who of major corporations—from telecommunications companies to banks to big retailers—that have successfully pushed for the bill to cut corporate tax rates.<sup>51</sup> RATE Coalition members spent more than \$48 million on lobbying in the second quarter of 2017 alone, and they have given generously to the members of Congress taking the lead on the tax bill.<sup>52</sup>

Another avenue of moneyed influence in play now did not exist in the same form in 2004: big-spending outside groups. The Supreme Court’s decision in *Citizen United*, along with a subsequent U.S. Court of Appeals for the D.C. Circuit decision,<sup>53</sup> opened the door for special interests to raise unlimited amounts of money from each donor and spend it on political campaigns. This new weapon in the influence industry’s arsenal is being not-so-subtly brandished in the tax fight:

- In the last election cycle, PhRMA gave \$1 million to a dark money organization called Freedom Path, which opposed a challenger to Republican Sen. Orrin Hatch (UT), the current chairman of the tax-writing Senate Finance Committee.<sup>54</sup> PhRMA declined to answer questions about the contribution, stating through a representative that the group “often makes grants or charitable contributions to organizations that share PhRMA’s goals.”<sup>55</sup>
- More recently, the American Action Network (AAN) gave a closed-door presentation to House Republicans, showing them an ad that it was running in their districts in support of the Republican tax bill—and hinting that the tone of the ad could change if members were not on board.<sup>56</sup> Although an AAN spokeswoman said that the organization had repeatedly said it would not spend “one dollar attacking Republicans,”<sup>57</sup> a congressman who was at the presentation interpreted the presentation as a threat, saying, “Like a teacher showing the kids a paddle on the first day of class, the blatant implication was that those who misbehaved would be spanked.”<sup>58</sup>
- The executive director of AAN, Corry Bliss, said that his group would support House Speaker Paul Ryan’s (R-WI) tax reform agenda—to the tune of \$100 million.<sup>59</sup>

Finally, like their predecessors, the policymakers spearheading the tax bill have been spending a lot of time with corporate lobbyists. A few weeks after Speaker Ryan introduced his tax blueprint, he attended a fundraiser on Nantucket Island hosted by high-profile tax lobbyist Ken Kies.<sup>60</sup> Tickets to the event ranged from \$2,500 to \$10,000; the latter included a photo with Ryan.<sup>61</sup> Lobbyists have also been willing to pay a premium for access to the president, but their party favor is often a round of golf as they flock to President Donald Trump’s private clubs.<sup>62</sup> The day before the tax bill was scheduled to be introduced, the president met with “nearly a dozen trade association heads” at the White House to talk about the bill.<sup>63</sup> Rep. Pat Tiberi (R-OH), a member of the House Ways and Means Committee and one of the top recipients of corporate contributions, continued to work on the legislation even after he indicated that he would be leaving Congress to lead a business group that lobbies for lower corporate tax rates.<sup>64</sup>

“Like a teacher showing the kids a paddle on the first day of class, the blatant implication was that those who misbehaved would be spanked.”

## Corporate contributions = corporate tax cuts

### Corporate Donors:

**\$1.5 BILLION**

from corporate sources to members  
of Congress on the tax committees

### Corporate Tax Cuts:

**\$937 BILLION**

to corporations and businesses  
in net tax cuts over 10 years

The result of this multi-pronged corporate influence campaign is a bill that massively reduces corporate taxes and includes a proposal that is reminiscent of 2004's tax holiday. The bill rewards companies that have existing untaxed offshore profits by assessing bargain-basement tax rates on repatriated funds: 14 percent for assets held in cash and 7 percent for other assets, both well below the 35 percent rate in effect when those profits were earned.<sup>65</sup> It also permits corporations to return future profits of foreign subsidiaries to the U.S. tax-free, imposing only a minimum tax of 10 percent for all foreign activities combined. This not only is half the bill's 20 percent corporate tax rate, but by applying a global minimum, it allows significant gaming between foreign high- and low-tax jurisdictions. The version that came out of the Senate Finance Committee is even worse, with repatriated funds taxed at 10 percent for assets held in cash and 5 percent for other assets and a similar global minimum tax rate — contributing to the \$937 billion in net corporate and business tax cuts in the bill.<sup>66</sup> In short, these provisions function a lot like prolonged versions of the failed 2004 tax holiday. As with all corporate tax breaks, the burden will eventually fall on other Americans, either in the form of higher taxes or cuts to critical programs such as Medicare, Medicaid, and Social Security.

# How to fight political corruption and make Congress better serve the public interest

Congress must correct a system that disproportionately responds to the most privileged few. Fortunately, there are a range of commonsense ways to break the link between money and policy outcomes and begin to restore Congress' accountability and responsiveness to the public.

The Center for American Progress has developed a new policy to ban members of Congress from accepting money from the same interests that their committees are charged with overseeing. Members sometimes get up to half of their contributions from industries that are directly affected by their committee work.<sup>67</sup> As outlined in a recently published CAP policy fact sheet,<sup>68</sup> contributors would have to certify that they are not, or do not work for, an entity that is under the auspices of a committee on which the recipient of the contribution serves. Whether policymakers are members of the Senate Armed Services Committee, the House Committee on Energy and Commerce, or the House Ways and Means committee, they should serve because they care about the relevant issues—defense, energy, or taxes—not to get contributions from defense contractors, oil companies, or the Homeland Investment Coalition.

According to a poll conducted by CAP, 88 percent of respondents supported “ban[ning] members of Congress from raising money or accepting contributions from interests under the jurisdiction of their committees,” including 86 percent of voters who supported President Trump.<sup>69</sup> Prohibiting members from taking money from the interests that they oversee would encourage them to serve on committees for the right reason—to advance the interests and well-being of their constituents and the country.

Additionally, Congress should ban lobbyists from fundraising for candidates and expand lobbying disclosure to make that ban enforceable. Although lobbyists are subject to the same contribution limit as other individual contributors, nothing currently prevents them from holding events, such as Paul Ryan's Nantucket fundraiser, where they can collect a big pile of checks and hand them to the candidate.

Campaign contributions can corrupt the relationship between voters and their representatives, which is why contribution limits exist. Corporate lobbyists should not be allowed to undermine the purpose of the law by serving as a conduit for other people's money. Further, the definition of lobbyist should be expanded so that people hired to influence public policy cannot hide behind titles such as adviser or consultant.

Congress should also address the revolving door between Washington and K Street by extending the cooling-off period—currently set at one year—between when members and high-level staff leave Congress and when they can become lobbyists. Between 2008 and 2016, about half of the members and staff that left Congress became either registered lobbyists or unregistered members of the influence industry.<sup>70</sup> There is an implicit understanding that those who play the special interest game will later reap the rewards; this is one more incentive that should be eliminated so that the economically privileged are not privileged in the political process.

Congress should explore solutions that expand its own capacity to make policy on behalf of the American people. One of the reasons that lobbying is effective is that members of Congress depend on outside help to do their jobs—both legislative research and fundraising.<sup>71</sup> Congress has very limited staff support,<sup>72</sup> and members of Congress are spending a disproportionate amount of time raising money for their next campaign.<sup>73</sup> Congress should look to increase its independent staff and other resources.

Finally, Congress must work to check its dependence on corporate fundraising by implementing policies that match small-donor contributions with public financing. Matching small contributions empowers people to support candidates who work for their interests and incentivizes lawmakers to turn to the communities they represent for support. When citizens fund elections, members of Congress are responsive and accountable to them.

# Conclusion

Americans are demanding change in the U.S. political system. In a recent poll, 96 percent of respondents said that “money in politics” contributed to either “some” or “a lot” of “dysfunction in the U.S. political system.”<sup>74</sup> The solutions offered in this report would constrain the anti-democratic power that corporate and wealthy interests currently hold over legislative priorities and move the political process toward one that better serves the whole of the American public.

The United States takes pride in its democracy. But Congress, the institution intended to be most directly accountable to the will of the people, has not been putting democracy first. It is time that it did. In a poll last January, two-thirds of Americans said that “reducing the influence of lobbyists and big money”<sup>75</sup> should be a top priority for Congress and the administration. The public may be disenchanted with politics, but it is ready for leaders who are willing to squarely address the problem and put forward concrete solutions.

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## About the author

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## Our Mission

The Center for American Progress is an independent, nonpartisan policy institute that is dedicated to improving the lives of all Americans, through bold, progressive ideas, as well as strong leadership and concerted action. Our aim is not just to change the conversation, but to change the country.

## Our Values

As progressives, we believe America should be a land of boundless opportunity, where people can climb the ladder of economic mobility. We believe we owe it to future generations to protect the planet and promote peace and shared global prosperity.

And we believe an effective government can earn the trust of the American people, champion the common good over narrow self-interest, and harness the strength of our diversity.

## Our Approach

We develop new policy ideas, challenge the media to cover the issues that truly matter, and shape the national debate. With policy teams in major issue areas, American Progress can think creatively at the cross-section of traditional boundaries to develop ideas for policymakers that lead to real change. By employing an extensive communications and outreach effort that we adapt to a rapidly changing media landscape, we move our ideas aggressively in the national policy debate.

