

Committee on Ways and Means

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Treasury Study Underscores Need for Johnson Moratorium

Confirms there is a growing threat of companies moving offshore

NEW BRITAIN, CT –A U.S. Treasury Department study released today underscores the need for Rep. Nancy Johnson’s bill to place a moratorium on companies reincorporating overseas to dodge taxes. The study warned that more American companies will exploit the tax loophole if action is not taken.

“This study reinforces the need for the Johnson Moratorium. If we put the brakes on these moves now, Congress will be able to thoroughly examine the many issues raised by these transactions without U.S. firms making a mad dash overseas,” said Johnson. “The Treasury study unfortunately confirms what I have been saying all along - that company boards across the country are looking to reincorporate overseas to avoid paying Uncle Sam. Stanley is just the tip of the iceberg.”

Johnson’s bill, H.R. 4756, the “Uncle Sam Wants You Act” was introduced in the House on Thursday and is retroactive to Sept. 11, 2001. The Johnson Moratorium extends through December 31, 2003. Johnson’s bill will allow Congress to develop a permanent solution without letting a single company off the hook from paying its fair share in taxes.

“Congress needs to understand that we need to move quickly and forcefully to ban this practice.” Johnson said. “We cannot afford to wait. The Treasury study confirms this. We cannot allow companies to slip through the cracks.”

Johnson, a leader on the tax writing Committee on Ways and Means, had urged the Bush Administration and U.S. Treasury to provide an explanation of the problem of corporations “inverting,” by moving their headquarters offshore to tax havens, such as Bermuda.

“While Treasury’s analysis is a good first step toward preventing inversions, it is just that - a first step. As a senior member of the tax writing committee, I will fight to pass an immediate moratorium to stop these transactions,” Johnson concluded.

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