GAME CHANGERS
Economic Policies for a Working America

POLICY BRIEF

International Tax Justice for a Democratic Economy

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The Problem

The United States suffers persistent constraints on its public resources while foregoing more tax revenue than any other country due to multinationals' tax evasion. The U.S. loses between $100 - $200 billion per year on average due to profit shifting, while also being the largest obstacle to international tax reform. U.S. leadership on tax reform can enable meaningful progress towards global tax justice..

Past Failures

The United States has neither adopted nor ratified treaties designed to improve the international tax system despite efforts at the OECD and United Nations. The U.S. has also continuously lowered its corporate income tax rate since the 1980s, from 46%, to 35%, and now 21% with President Trump's Tax Cuts and Jobs Act, which also implemented substantial tax holidays for technology firms. There has been a lack of political will in the U.S. to sign onto tax treaties, raise the corporate income tax rate, or reform the system due to corporate influence on both sides of the aisle.

Game Changer

We propose three tax reforms that work in concert and align with the international tax treaty discussions currently underway at the United Nations.

The first reform is to implement unitary taxation with formulary apportionment, ideally as part of a global reform effort but at the very least for U.S. multinationals. This reform would treat each U.S. multinational as a single corporate entity, required to report its consolidated global profits to tax authorities in every jurisdiction in which it operates. Taxing rights to the firm's global profits would then be distributed between the countries in which it operates according to apportionment criteria that reflect the location of the

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firm's real economic activity. These criteria could include, for example, the number of employees in each jurisdiction, total payroll expenses, operating costs, or firm sales by jurisdiction. This reform alone would repatriate significant U.S. profits that are currently being shifted to tax havens and left untaxed, as unitary taxation with formulary apportionment makes it impossible to report profits in jurisdictions where little or no real economic activity takes place.

The second reform works in concert with the first: the U.S. should enforce a minimum tax rate of 35% on consolidated global corporate income. If U.S. multinationals operate in a country that rejects a global minimum tax, the U.S. can implement throwback rules which make any untaxed income in that jurisdiction subject to taxation in the U.S. or in other jurisdictions that do claim their taxing rights. A U.S. multinational would therefore be unable to avoid the 35% rate on its consolidated global corporate income.

Finally, the third reform is to close the tax holidays that the U.S. currently grants its technology multinationals – specifically, the foreign derived intangible income (FDII) tax incentive, which offers tax-haven-level rates to U.S. multinationals on the profits they earn on exports of intellectual-property-related services. We also recommend replacing the Global Intangible Low-Taxed Income (GILTI) tax with the more sweeping principle of unitary taxation. GILTI is a top-up tax on income earned by U.S. multinationals in tax havens, which the U.S. has used to opt out of the OECD's tax reform efforts. In practice, however, it applies a top-up tax rate below the global minimum rate of 15%, effectively converting the U.S. into a tax haven.

Economic Rationale and Feasibility

Public support for tax reform is widespread. U.S. corporate tax reform would improve life for the majority of Americans by increasing public revenues, while negatively impacting only extremely wealthy individuals. Untaxed profits are not currently being used to fund productive investments, which is the rationale invoked to justify corporate tax evasion and lower corporate income tax rates. Meanwhile, the tax revenue that reform is expected to generate could fund wide-reaching social expenditures and public investments that working Americans can and should vote for. For example, the estimated $100 - $200 billion in annual revenue that would be generated by taxing multinational profits shifted out of the U.S. at a 35% rate would be more than enough to fund the Supplemental Nutrition Assistance Program (SNAP), which served 41 million Americans in 2025.

U.S. multinationals generate profits thanks to the talent of American workers who are educated in U.S. schools and universities, and who create and maintain the digital and logistical infrastructure necessary for these firms to thrive. Just as workers at multinationals pay taxes on their labor income, multinational corporations should pay taxes on their profits. Moreover, ensuring that multinational profits are taxed gives Americans at least some say over how those profits are reinvested in our country.

*For more information on this topic, including the **Background Paper**, please visit our policy page.*

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