

POLITICO

Pfizer abandons AstraZeneca bid — Credit Suisse: And the winner is... — Tax havens, tax gimmicks

By Mackenzie Weinger
May 27, 2014

WAYS AND MEANS TAX EXTENDERS MARKUP EXPECTED THURSDAY. The House Ways and Means Committee is aiming on Thursday to take up “two new tax proposals alongside legislation making permanent a handful of charitable tax extenders,” our Brian Faler reported. Aides said the panel will likely mark up a bill by Rep. Mike Kelly that would allow individuals to deduct their charitable contributions of the previous tax year up until April 15, and a proposal from Rep. Erik Paulsen that would simplify the private foundation excise tax to a flat rate of one percent.

Other proposals that will likely be considered Thursday “include a measure sponsored by Rep. Aaron Schock to make permanent provisions letting people donate to charities up to \$100,000 tax-free from their individual retirement accounts. Another, by Rep. Jim Gerlach, offers tax breaks for conservation easements. A third, by Rep. Tom Reed, offers companies an enhanced deduction for donating food to charity. The panel is also likely to consider a bill by Rep. Pat Tiberi to permanently extend so-called bonus depreciation,” Faler reported.

PFIZER ABANDONS ASTRAZENECA BID. The Wall Street Journal reports, “Pfizer Inc. dropped its pursuit of British rival AstraZeneca PLC, leaving both drug makers to overcome aging pipelines and market pressures alone. Pfizer had been chasing AstraZeneca since November in an effort to create the world's biggest pharmaceutical company. Pfizer last proposed a deal valued at \$120 billion. But AstraZeneca was able to run out the clock on Monday's deadline under U.K. takeover rules for reaching an agreement. Under those rules, Pfizer could submit another offer for AstraZeneca in six months.” <http://on.wsj.com/1wa5cRO>

CREDIT SUISSE: AND THE WINNER IS... Our Rachael Bade reports that since “the historic guilty plea by Credit Suisse on helping Americans dodge taxes, some see an unlikely winner emerging — and it isn't the Justice Department. The Swiss bank admits it broke the law, but critics say the deal does more to enshrine rather than break down the door of Swiss bank secrecy. Topping the list of complaints: Law enforcement didn't force Credit Suisse and the alpine nation to turn over a single name among the potentially tens of thousands of American tax cheats who surreptitiously hid billions. Justice could have coerced the bank or used other legal tools to demand more juicy details, former prosecutors and others also contend. Instead, the

government settled for bits of information that, skeptics say, will only send Justice off on a years-long wild goose chase.” Pros, keep reading: <http://politico.pro/1kFusdB>

IT’S TUESDAY! Welcome back to Morning Tax. On a personal note: I’m a UCSB alum — please keep the university & Isla Vista in your thoughts. If you want to talk taxes, you can find me at mweinger@politico.com or on Twitter at @[mweinger](https://twitter.com/mweinger). As always, please follow @[POLITICOPro](https://twitter.com/POLITICOPro) and @[Morning_Tax](https://twitter.com/Morning_Tax).

HOUSE & SENATE: Out.

ON THE MOVE. Assistant Attorney General for the Tax Division Kathryn Keneally plans to announce today she will leave the Justice Department to return to private practice, The Wall Street Journal reports. <http://on.wsj.com/1tgqoBn>

WHAT’S NEXT FOR OTHER SWISS BANKS? Bloomberg has the story: “Thirteen Swiss banks face rising stakes in their own criminal probes after Credit Suisse Group AG set a new standard for punishment in the U.S. crackdown on offshore tax evasion. Julius Baer Group Ltd., Zuercher Kantonalbank and the Swiss unit of HSBC Holdings Plc (HSBA) are among those seeking to avoid pleading guilty to helping Americans cheat the Internal Revenue Service — an unprecedented step taken by Credit Suisse on May 19. Their degree of wrongdoing and cooperation with investigators will help decide their fate, said the top U.S. tax prosecutor.”

“We will look at the facts and circumstances of each investigation to determine an appropriate penalty,” Keneally told Bloomberg in an interview. “It should be very clear from the Credit Suisse investigation that cooperation, or the lack thereof, is an important factor.” <http://bloom.bg/1jnO5Cq>

AND IT’S GOING GLOBAL. The Wall Street Journal reports, “The hunt for money hidden in Swiss bank accounts by U.S. citizens has become a global chase, with prosecutors tracing records to Singapore, the Cook Islands and elsewhere as U.S. authorities increase the pressure on Swiss lenders to turn over evidence, according to officials.” Keneally told WSJ that “in the wake of a guilty plea to criminal charges by Credit Suisse, the U.S. expects to collect more evidence pointing to suspect accounts beyond Switzerland’s borders.” <http://on.wsj.com/1tgqoBn>

TAX HAVENS, TAX GIMMICKS. Citizens for Tax Justice is out with a new report today stating the math doesn’t add up when it comes to U.S. corporations’ profits in tax haven countries. “Puzzle this. U.S. corporations report to the IRS that 54 percent of their offshore profits are earned in 12 tax haven countries that, combined, only account for 4 percent of global economic output among all foreign countries where U.S. corporations do business. ‘If this sounds confusing and impossible, that’s because it is,’ said CTJ Director Robert McIntyre,” in a press release.

CTJ says in the report that its analysis of IRS data means one thing: “Clearly, American companies are using various tax gimmicks to shift profits actually earned in the U.S. and other countries where they actually do business into their subsidiaries in these tiny countries.” Read the study: <http://bit.ly/1IJ0QZA>

NYT ON IRS PRIVATE DEBT COLLECTOR PLAN: ‘TERRIBLE.’ The New York Times editorial board blasts Sen. Chuck Schumer’s proposal to make the IRS hire private companies to collect unpaid taxes, writing that “private tax-debt collection is terrible policy. The Schumer provision should be struck from the tax bill.” Read the editorial — “Mr. Schumer Backs a Bad Old Idea” — here: <http://nyti.ms/1jnQYmw>

ON THE CALENDAR. Today at noon, the Cato Institute holds a briefing on "The Economics of Medicaid and the Need for Reform." ... On Wednesday at 1 p.m., the IRS Taxpayer Advocacy Panel Joint Committee holds a teleconference on improving customer service. ... On Thursday at noon, the Heritage Foundation holds a discussion on "An Inquiry into the Nature and Causes of the Wealth of States: How Taxes, Energy and Worker Freedom Change Everything." ... On Thursday & Friday, New York University's School of Continuing and Professional Studies holds its Federal Real Estate Tax Conference at the Mayflower Renaissance Hotel.

QUICK LINKS:

—The Associated Press: “Judge: Man owing \$330K threatened IRS agent’s life.”
<http://wapo.st/1gvUUH3>

—The Los Angeles Times reports, “if your property tax bill seems onerous, check out what some billionaires pay on their California homes.” <http://lat.ms/1mhmqGm>

—NYT: “I.R.S. Bars Employers From Dumping Workers Into Health Exchanges.”
<http://nyti.ms/1ikVvGV>

—Reuters reports, “French Prime Minister Manuel Valls promised on Monday further tax cuts for low-earning and middle-class households, saying one reason for the rise in support for the National Front in weekend EU polls was anger at years of tax rises.” <http://reut.rs/1muULmU>

—The Sunday Times: “Amazon shields £11bn haul from taxman.” <http://thetim.es/SzkKPN>

—The Financial Times: “Big questions hang over Piketty’s work.” <http://on.ft.com/1kFEtYd>

—Bloomberg reports, “The North Carolina legislature is moving to require cities to follow its lead cutting taxes, as Republican lawmakers try to exert control over the state’s biggest cities, run by Democrats.” <http://bloom.bg/1jWkYfs>

—The Wall Street Journal: “Bond Market Flips the Script on Risk and Reward.”
<http://on.wsj.com/1rawSX1>

—“Cash transactions between businesses will be limited to 5,000 shekels (\$1,400) under an Israeli government plan to fight money laundering and tax evasion,” Reuters reports.
<http://reut.rs/1ka3mXA>

DID YOU KNOW? The Sun contains 99.9 percent of all matter in our solar system.

