Mylan: The poster child of a bad tax code

The drugmaker is using a surprising technique for dodging taxes: investing in coal refineries

Richard Phillips for the Institute on Taxation and Economic Policy: Rather than being known for its pioneering pharmaceuticals, Mylan is increasingly becoming infamous for its pioneering tax avoidance strategies. In 2015, Mylan used an inversion to claim that it is now based in the Netherlands for tax purposes. It is a Dutch company only on paper because ownership of the company was mostly unchanged, and it continues to operate largely out of the United States. This maneuver has allowed the company to avoid millions in taxes on its earnings in the U.S. and abroad.

But that's not the end of Mylan's innovation when it comes to tax planning. ... Mylan is using a surprising new technique for dodging taxes: investing in coal refineries.

The tax code currently provides a credit for the refining of coal, at a rate of $6.91 per ton processed in 2017. Mylan has taken advantage of the credit by investing in five companies that operate coal refining plants. These investments are profitable for investors only because of the tax credits. In combination with the research credit, this tax break allowed the company to avoid more than $100 million in taxes over each of the last two years. ....

Mylan's aggressive tax avoidance schemes make it a posterchild for everything wrong with the tax code. Rather than giving companies new tax breaks or a cut in their overall tax rate, the focus of tax reform should be to completely clean out the code of all the special interest tax breaks and loopholes that companies such as Mylan take advantage of.

Don't attach strings to food stamps

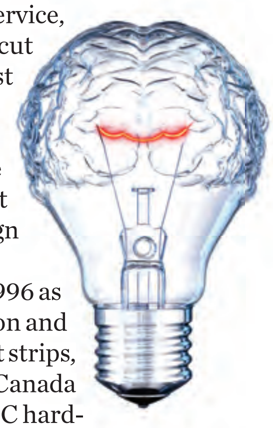
Katy Li for the Niskanen Center: The furor over well-publicized, highly controversial forms of government paternalism such as drug testing obscures more banal policies that affect the day-to-day lives of millions of Americans on public assistance. The Supplemental Nutrition Assistance Program, or food stamps, is one of the most prominent examples, requiring its recipients to negotiate a veritable maze of restrictions to shop at the grocery store. ...

Some of these restrictions, like not allowing people to buy alcohol or tobacco, seem reasonable enough. Others less so. Household supplies and toiletries are essential goods — people need soap, toilet paper, and other such items to maintain personal hygiene. Vitamins also contribute to people's health by ensuring that they have sufficient nutrient intake when their diet alone is not enough. Vitamins might not be food in the conventional sense, but it's difficult to see why purchasing calcium supplements or vitamin D should be considered an abuse of the system.

More absurd still is the ban on hot foods and those that can be eaten in-store. At first glance, this seems like a bizarre, draconian mandate designed to make poor people's lives harder for no justifiable reason. Presumably, the underlying logic is that foods that are sold hot, or with the purpose of being consumed in-store, are less healthy than groceries you buy to take home. This is not particularly sound logic. Can anyone honestly claim that frozen hot-pockets or pizza bagels are meaningfully healthier than 7-11's chicken wings? ...

Adding additional barriers to SNAP usage raises the program's administrative costs and increases the stigma against program participants by suggesting that they can't be trusted to make decisions for themselves. Evidence indicates that this stigma is ill-deserved, as food consumption patterns for SNAP households don't differ significantly from those of non-SNAP households with similar characteristics.

Innovation in privatization



Chris Edwards for Downsizing Government: Congress should privatize federally-owned businesses such as Amtrak, the postal service, and the air traffic control system. Privatization would cut costs and improve customer service. It also would boost U.S. innovation and exports.

Typically, federal government businesses do not export their goods, services, or technologies. They have no incentive to do so. They are content to live the quiet life, and they have little reason to innovate or seek foreign markets. ...

Canada privatized its [air traffic control] system in 1996 as Nav Canada. The company is a leader in ATC innovation and has developed numerous technologies, such as the flight strips, that it exports abroad. "The technical expertise at Nav Canada has led to a thriving business marketing innovative ATC hardware and software and advising other air navigation service providers on modernization," Bob Poole noted.

Nav Canada earns income from foreign contracts and royalties, which in turn helps fund its ongoing research. Another interesting byproduct of Canadian privatization is Searidge Technologies, which is a Canadian company that is developing "remote tower" services for ATC systems. Nav Canada was an early investor in Searidge and today is co-owner.

Now consider another industry run by our government: currency printing. Our money is printed by the U.S. Bureau of Engraving and Printing. But Canada has long contracted out the printing of its money to the Canadian Bank Note Company and other firms.

Canadian Bank Note Company has used its domestic expertise as a base to go global, and today it prints money, stamps, and high-end security products for clients in 60 counties. Meanwhile, the Bureau of Engraving and Printing supplies only the U.S. market and does not export. ◆

Compiled by **JOSEPH LAWLER** from reports published by the various think tanks.