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Will losing Burger King make Americans care about corporate taxes?

By Joseph Lawler
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If any company could make Americans care about international corporate taxation, it might be Burger King.

After the fast-food giant announced Sunday evening that it was in talks to buy Canadian doughnut and coffee chain Tim Hortons and set up the new company's headquarters in Canada, it faced public outrage over the possibility that such an identifiable American brand would abandon its home country. Democrats used the news to highlight their attempts to keep companies from fleeing the U.S. tax base.

"You don't want to pay U.S. taxes for doing business here? It'll be a cold day in Hades before you ever get my money again," wrote Audrey Brooks, one of the hundreds of people who assailed the company on Burger King's Facebook page.

Burger King is the latest of dozens of U.S. businesses to attempt what is known as a tax "inversion," in which a U.S. company lowers its tax bill by buying a foreign company in a low-tax country and placing its headquarters there. In Burger King's case, it and Tim Hortons would remain separate brands, owned by Brazilian investment firm 3G Capital.

President Obama has called companies trying to move for tax reasons "corporate deserters" and has accused them of a lack of "economic patriotism." But he has faced an obstacle in drawing attention to the issue because most of the companies are not household names, such as the pharmaceutical company Abbvie or the medical device maker Medtronic.

Burger King, however, is familiar to most Americans. Its logo, its trademark Whopper sandwich, and its commercials featuring its mascot, the Burger King, saturate U.S. cities and media.

Some Democrats are predicting that Burger King's move could spark widespread opposition to other companies relocating their headquarters abroad.

Sen. Carl Levin, D-Mich., the author of a bill to tighten restrictions on the corporate tax maneuvers, warned Monday that "there could well be a strong public reaction against

Burger King that could more than offset any tax benefit it receives from a tax avoidance move."

Sen. Sherrod Brown, D-Ohio, tried to build momentum for a boycott of the company, proposing that consumers go to Wendy's or White Castle instead.

There is some evidence that Americans are bothered by inversions. While only about half are aware of them, according to an online poll conducted in early August by the Morning Consult, more than two-thirds said they disapproved of a company trying to lower its taxes by moving abroad.

Public opinion played a role in stopping one inversion earlier this year — when the pharmacy chain Walgreens decided not to move its headquarters to Switzerland. In a press release announcing the decision, Walgreens said that it was "was mindful of the ongoing public reaction to a potential inversion and Walgreens' unique role as an iconic American consumer retail company."

Nevertheless, conservatives are not concerned that companies' tax dealings are about to become a political liability.

"It works the other way around," said Grover Norquist, president of the Americans for Tax Reform, a Washington group that opposes tax increases. "If this was faceless big corporations, maybe [Democrats] would have gotten traction" mobilizing U.S. residents against the companies, Norquist said. But people know Burger King too well to be afraid of its tax strategies. "Canadians won't be requiring you to put Marmite on your burger, nothing changes," Norquist said.

Risking public backlash is worth it for Burger King, said Daniel Mitchell, a tax expert at the libertarian Cato Institute. "The benefit is that by having the company's legal home shipped to Canada, you get out from under worldwide tax system with the United States' highest corporate tax rates," Mitchell said. "On the other hand, you have some demagogic politicians trying to make some noise."

Burger King paid a 27.5 percent effective tax rate in 2013, according to its filings with the Securities and Exchange Commission. Canada has a 15 percent statutory tax rate at the national level, and, unlike the U.S., it does not levy corporate taxes on income earned abroad.

"Any backlash from consumers will be very contrived and short-term," Mitchell predicted.

Burger King and Tim Hortons declined to comment on the public reaction to their talks.