



REUTERS

Senator Paul stirs business ire over blocking of U.S. tax treaties

By: Patrick Temple-West – April 28, 2013

Senator Rand Paul is coming under pressure from some multi-national businesses to drop his opposition to tax treaties between the United States and other nations.

Citing privacy concerns about Americans' tax data, Paul, a Republican and libertarian, has single-handedly blocked Senate action on treaties with Hungary, Switzerland and Luxembourg that have been signed by authorities on both sides, but have been awaiting Senate review since 2011.

At least six other tax treaties or treaty updates - with Chile, Spain, Poland, Japan, Norway and Britain - may soon be added to the Senate's queue for confirmation votes.

Major U.S. businesses such as IBM Corp and Fluor Corp are lobbying for Senate action on tax treaties, according to Senate lobbying disclosure documents.

"How many treaties will be held hostage?" asked Cathy Schultz, a lobbyist for the National Foreign Trade Council, a Washington, D.C.-based group that represents companies such as Caterpillar Inc and Pfizer Inc.

Paul has said he is concerned that recent treaties would give foreign governments too much access to U.S. citizens' tax information, a stance that has some support among like-minded conservative libertarians.

"Rand Paul is not a typical senator who may bend over to business lobbyists," said Chris Edwards, director of tax policy at The Cato Institute, a libertarian think tank.

"I am very concerned about this increasingly aggressive international exchange of information," Edwards said.

NO APPROVALS SINCE 2010

No new tax treaties or treaty updates have been approved since 2010, when Paul was elected as the junior senator from Kentucky on a wave of support for Tea Party-aligned Republicans.

Paul recently declined to answer questions from a reporter in a Capitol hallway about the "hold" he has placed on the treaties. Under Senate rules, one senator can prevent a motion from reaching a vote on the Senate floor.

Paul's staff did not reply to repeated requests for comment.

"There's never really been an objection of this sort and a hold that's gone on this long," said Nancy McLernon, president of the Organization for International Investment, which lobbies in Washington on behalf of foreign companies.

In an effort to sway the senator, McLernon said her group would be lobbying both parties to draw attention to the tax treaties. "Let's stop with the self-inflicted wounds," she said.

The United States has tax treaties with more than 60 countries, ranging from China to Kyrgyzstan.

The agreements previously have routinely won Senate approval with little controversy and accomplished their main purpose of preventing double-taxation of income and profits.

In recent years, tax treaties have begun to play an increasing role in efforts by the United States and major European Union countries to crack down on tax avoidance.

The U.S. Treasury in 2012 began signing new tax pacts with countries as part of implementation of the U.S. Foreign Account Tax Compliance Act, a 2010 anti-tax-evasion law.

The law, known as FATCA, which takes effect in January 2014, will require foreign financial institutions to disclose to the United States information about Americans' accounts worth more than \$50,000.

SWISS A DRIVING FORCE

Switzerland, a long-time bastion of banking secrecy, is under international pressure to change its ways, and FATCA has been a driving force in that. The United States and Switzerland in February signed a FATCA implementation agreement that would make more information available to U.S. authorities about the financial interests of Americans in Switzerland.

But the taxpayer information exchange cannot go into force without Senate approval of the U.S.-Swiss tax treaty.

The Senate's delayed action on tax treaties could convince other countries to stop negotiating with the United States on tax matters, said John Harrington, a former Treasury tax official who is now a partner at law firm SNR Denton.

Paul, seen as a possible 2016 presidential contender, has taken a position that sets up a clash of traditional Republican interest groups: big business and libertarian ideologues.

In this sense, Paul is in the forefront of the party's search for a new identity since Republicans lost the presidential race last year, as well as numerous seats in the House of Representatives.

Looking toward a possible 2016 White House bid, Paul told reporters earlier this month that he will visit early-voting states this year and make a final decision next year.

New Republicans such as Paul are shifting the party away from its business-first agenda, said Dan Holler, communications director for Heritage Action, a conservative group.

"The party is not being reflexively pro-business," he said.