



Libertarian lawmaker blocks international tax treaties, making strange bedfellows

By: Bernie Becker – May 5, 2013

Sen. Rand Paul's efforts to block international tax treaties are making some strange bedfellows between business groups and anti-tax evasion crusaders.

Paul (R-Ky.) has been holding up treaties with Hungary, Luxembourg and Switzerland in the Senate for well over a year now, a turn of events that has angered business interests that have called approval of those sorts of agreements routine.

Liberal groups have more recently joined in the efforts to free up the treaties, which they say would help smooth the implementation of a law aimed at cracking down on Americans who use foreign banks to cheat on their taxes.

But as of yet, Paul has shown no willingness to budge, and supporters of the agreements say that the Kentucky Republican is refusing to even meet with them.

"Will that have an effect on Mr. Paul?" Heather Lowe, legal counsel for Global Financial Integrity, said of the efforts of her group and others. "I don't know."

Paul's office did not respond to a request for comment about the senator's concerns about the agreements, and what changes might make the treaties acceptable to him.

But a Senate aide told The Hill in 2012 that Paul had privacy concerns about the treaties, which the aide said would "allow the government to obtain a wide array of records without evidence that people may be hiding money."

Paul has expressed his libertarian bent in ways both prominent and more under the radar since joining the Senate just over two years ago, as shown by his efforts against the tax treaties. Other newcomers to Washington, like Sens. Mike Lee (R-Utah) and Ted Cruz (R-Texas), have also helped to increase the libertarian perspective on Capitol Hill.

The Kentucky Republican, who is showing increasing interest in seeking the 2016 GOP presidential nomination, famously took to the Senate floor for close to 13 hours this year to protest President Obama's drone policies. He also prominently opposed new gun control measures.

"There is no question that Rand Paul is very serious and very committed to libertarian, small government principles," Daniel Mitchell of the Cato Institute told The Hill.

But both Lowe and Cathy Schultz of the National Foreign Trade Council say that Paul's holding up of the treaties with Hungary, Luxembourg and Switzerland sets a bad

precedent that could leave other countries less likely to enter into information sharing agreements with the U.S.

The Senate Foreign Relations Committee cleared the three pacts in July 2011. The U.S. has signed other tax treaties or amendments to previous agreements, with countries like Chile, Norway and Spain, that have yet to make it as far in the Senate.

“This is eroding our credibility around the world,” said Schultz, whose group’s board includes big oil-and-gas companies like ExxonMobil and other corporate giants.

Schultz, NFTC’s vice president for tax policy, said the tax treaties can stop double taxation, and put in frameworks to resolve disputes, making them important to the business community.

“They’re not looking for ways to resolve the issue. They’re not coming back to anybody and saying, how do we work this out?” Schultz said about Paul and his office. “It’s not like treaties have never had holds on them. That part isn’t new. The new part is the unwillingness to meet with business, and discuss these issues.”

The concern for groups like Global Financial Integrity is that the lack of action on the tax treaties will impede implementation of the Foreign Account Tax Compliance Act (FATCA) – a 2010 law that would require foreign banks to disclose information about Americans’ accounts to the IRS, or face a penalty on certain payments connected to the U.S.

The U.S. signed a bilateral agreement with Switzerland, long known for having strict secrecy laws, in February to help pave the way for FATCA implementation. But even though that accord doesn’t require Senate approval, its full weight, supporters say, can’t go into effect without the ratification of the tax treaty with the Swiss.

Lowe said Paul’s hold on the treaties could slow the federal government’s efforts on tax evasion, given that Treasury is currently negotiating FATCA-related agreements with some 50 countries.

Those sorts of agreements, Lowe said, “are sort the of legal representation of other countries around the world playing ball. They show the willingness of other countries to engage in FATCA.”

Even a financial services lobbyist said that, while the industry is far from a FATCA fan, they’re concerned that Paul’s efforts could make the implementation of the law, which takes effect next January, even harder.

Mitchell, a senior fellow at Cato, a libertarian think tank, said he shared Paul’s concerns about the tax treaties, and also called FATCA “very destructive.”

But Mitchell added that Paul’s efforts could be for naught, at least when it comes to FATCA. “Rand Paul could hold up treaties from now until eternity, but that may not do anything about FATCA,” he said.