CENTER FOR FREEDOM & PROSPERITY

January 9, 2017

Dear Senators and Representatives:

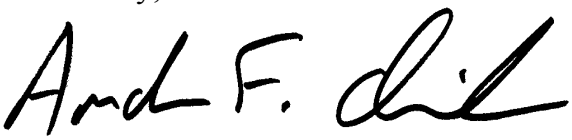
Congress is considering a much needed look at the use of American taxpayer funds to support international organizations that repeatedly work against the interests of the United States and the taxpaying public. While that effort is currently focused primarily on the United Nations, it should be expanded to also cover the Organization for Economic Cooperation and Development (OECD).

The OECD was founded to serve as a tool for lowering trade barriers and other obstacles to the free market erected by governments. Thanks to decades of mission creep, however, the OECD today often works against those original goals and the best interests of the United States. It aims instead to advance the interests of finance ministers and tax collectors from European welfare states whatever the cost to the global economy. For instance, the OECD has long fought to limit tax competition, with the most recent example being the massive BEPS tax grab widely understood to be aimed at U.S.-headquartered multinationals.

To make matters worse, the organization has become increasingly politicized. Not only did several top officials weigh in on the U.S. presidential campaign with critical comments toward then-candidate Donald Trump, but the organization has for years recommended policies in the U.S. designed to grow government and advance the agenda of the left. These include encouraging adoption of a VAT and other tax increases, supporting big government-style healthcare, endorsing Keynesian-style "stimulus" spending binges, and advocating for cap-and trade regulations, among other positions.

For these reasons, a broad coalition of free market and taxpayer protection organizations has in the past called on Congress to cut off OECD funding. Congress should make clear that it is wrong to ask American taxpayers to subsidize any organization whose work is fundamentally partisan and counter to the interests of the American public, and should expand its current inquiry to include taxpayer subsidies to the OECD.

Sincerely,



Andrew F. Quinlan
President
Center for Freedom and Prosperity

Attachments

Libertas

A Brief Analysis from the Center for Freedom and Prosperity Foundation

OECD Subsidies Are Against U.S. Interests

The Organization for Economic Cooperation and Development (OECD) is a Paris-based bureaucracy which increasingly promotes a big government agenda. In recent years the organization has supported for the U.S. a value-added tax, Obamacare style healthcare, cap-and-trade or carbon taxes, and stimulus spending. Since 1998, the OECD has also pushed an anti-tax competition project aimed at persecuting low-tax jurisdiction. The organization has increasingly come under the control of politicians and tax bureaucrats from high-tax nations who, unwilling to reform their tax codes for fear of undermining their ballooning and highly inefficient welfare states, push the OECD to enforce unjust protectionist measures against jurisdictions that have adopted free-market tax policies.

U.S. taxpayers shoulder a disproportionate share – nearly one-fourth – of the OECD's budget, yet receive little to no benefit in return. In fact, the OECD frequently pushes for policies both within the U.S. and internationally that are not in the interest of the United States, and would increase the tax burdens on U.S. citizens, inhibit the free flow of capital, and reduce economic prosperity. With a direct contribution from American taxpayers of almost $100 million, and other expenses on the U.S. delegation in Paris and U.S. agencies that participate in OECD activities, this negative return is unacceptable. Funding of the OECD should be cutoff until such time as the organization ends its campaign against low-tax jurisdictions and the principles of limited government.

Over the years, OECD actions undermining the interests of U.S. taxpayers have included:

- Repeated urging of the United States to adopt a value-added tax and a plethora of other tax increases.

- Support for big government style healthcare and other spending programs.

- A decade-plus anti-tax competition project that poses a threat to national sovereignty. Bureaucrats in Paris should have no right to dictate tax policy to sovereign jurisdictions.

- Deliberate conflation of legal tax avoidance and illegal tax evasion. The OECD has adopted a radical theory, known as Capital Export Neutrality, which holds that taxpayers should never be allowed to benefit from better tax policy in other jurisdictions.

- Expression of support for global taxation by endorsing the United Nations' proposal for "innovative sources of financing," which means taxes levied by the U.N. – such as on carbon, currency and financial transactions, and airline tickets.

- Efforts to interfere with the right of U.S. states to control their own corporation laws. The OECD is attacking incorporation laws in American states because high-tax nations are unhappy that investment activity is shifting to America.

- Siding with unions in a campaign to hinder competition in the international shipping market. The OECD proposal, the result of an unholy alliance between unions and high-tax governments, sought to cripple "open registries" that have lowered shipping costs.

- Seeking to make it easier for nations to: a) impose high tax rates; b) double-tax income that is saved and invested; and c) tax income earned in other jurisdictions. If the OECD is successful, reforms like the flat tax would be an impermissible "harmful tax practice." Global growth will suffer as bad policy is perpetuated.

For More Information:

October 2011, University of Alabama Public Law Research Paper No. 1950627, "Cartelizing Taxes: Understanding the OECD's Campaign Against 'Harmful Tax Competition'," by Andrew P. Morriss and Lotta Moberg
http://ssrn.com/abstract=1950627 or doi:10.2139/ssrn.1950627

May 2011, CF&P Foundation Prosperitas, "Monitoring the OECD's Campaign Against Tax Competition, Fiscal Sovereignty, and Financial Privacy: Strategies for Low-Tax Jurisdictions," by Dan Mitchell and Brian Garst
http://freedomandprosperity.org/2011/publications/strategies-for-low-tax-jurisdictions/

August 2010, CF&P Foundation Economic Lessons Video, "The Paris-Based OECD: Pushing Obama's Big-Government Agenda With Your Tax Dollars," narrated by Dan Mitchell
http://youtu.be/oVr8R41nZJU

CF&P Market Center Blog posts on the OECD
http://freedomandprosperity.org/tag/oecd/?cat=11

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Coalition for Tax Competition

May 12, 2016

Dear Senators and Representatives:

With release of the final reports on Base Erosion and Profit Shifting (BEPS), there can be no doubt that the Organization for Economic Cooperation and Development (OECD) is no friend to the United States. For this reason it should no longer be subsidized by American taxpayers.

In FY 2015, the United States sent $74 million to the OECD. The U.S. is also its single largest contributor. Despite the OECD's reliance on American taxpayer funds, it persistently works against their interests.

AMERICANCOMMITMENT

The OECD has long worked to undermine tax competition, which high-tax nations view as an obstacle to new revenue grabs. To this end the organization directs economic and social pressure against low-tax jurisdictions or those that value individual privacy, violating their fiscal sovereignty.

Reducing tax competition results in an overall higher tax environment and a weaker global economy. Without the checks on political greed that competition affords, taxpayers inevitably suffer.

With the BEPS project the OECD has taken this agenda to a new level and targeted American corporations for a massive tax grab. Onerous and excessive new reporting requirements also put trade secrets unrelated to tax assessment into the hands of unscrupulous governments and makes proprietary data vulnerable to unauthorized access by third parties.

To add insult to injury, OECD bureaucrats receive tax-free salaries subsidized by U.S. taxpayers and then advocate for higher taxes on everyone else to fund bigger government. Recently the organization has sought to undermine fiscal responsibility, and the ongoing efforts in several countries to eliminate government red ink, through a call for an “urgent” new Keynesian spending binge. Over the years it has also suggested a new value-added tax in the United States, making the personal income tax even more redistributive, and costly new mandates on wage rates and family leave policies.

The OECD is no friend to the American taxpayer. It works consistently to undermine American interests in the global economy. If the United States is not going to take a greater role in setting the OECD's agenda to ensure it aligns with America's interests, then it should at the very least stop funding its efforts.

Sincerely,

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Americans for Tax Reform

Pete Sepp, President
National Taxpayers Union

Phil Kerpen, President
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Iain Murray, Vice President
Competitive Enterprise Institute

Seton Motley, President
Less Government

Tom Schatz, President
Council for Citizens Against Government Waste

Karen Kerrigan, President
Small Business & Entrepreneurship Council

David Williams, President
Taxpayers Protection Alliance

Amy Frederick, President
60 Plus Association

Heather Higgins, President
Independent Women's Voice

Bob Bauman, Chairman
Sovereign Society Freedom Alliance

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