

Section 201 of the Stop Tax Haven Abuse Act - Country-b...

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The following is from Senator Car Levin's statement issued in Section 201 of the Stop Tax Haven Abuse Act that he introduced to the US Senate yesterday. I [reproduce it in full](#) as I think it worth it.

Section 201 - Country-By-Country Reporting

Section 201 of the bill would tackle the problem of offshore secrecy that currently surrounds most multinational corporations by requiring them to provide basic information on a country-by-country basis to the investing public and government authorities.

Many multinationals today are complex businesses with sprawling operations that cross multiple international boundaries. In many cases, no one outside of the corporations themselves knows much about what a particular corporation is doing on a per country basis or how its country-specific activities fit into the corporation's overall performance, planning, and operations.

The lack of country-specific information deprives investors of key data to analyze a multinational's financial health, exposure to individual countries' problems, and worldwide operations. There is also a lack of information to evaluate tax revenues on a country-specific basis to combat tax evasion, financial fraud, and corruption by government officials.

The lack of country-specific information also impedes efficient tax administration, leaving tax authorities unable to effectively analyze transfer pricing arrangements, foreign tax credits, business arrangements that attempt to play one country off another to avoid taxation, and illicit tactics to move profits to tax havens.

The bill would assist investors and tax administrators by requiring corporations that are registered with the Securities and Exchange Commission to provide basic information concerning their operations on a country-by-country basis. This basic information would be the approximate number of their employees per country, total amount of sales and purchases involving related and third parties, total amount of financing

arrangements with related and third parties; and the total amount of tax obligations and actual tax payments made on a per country basis. This information would have to be furnished to the SEC as part of the corporation's existing SEC filings.

The bill requires disclosure of basic data that most multinational corporations would already have. The data wouldn't be burdensome to collect; it's just information that isn't routinely released by many multinationals. It's time to end the secrecy that now enables too many multinationals to run circles around tax administrators.

In the case of the United States, the value of country-by-country data becomes apparent after reading a recent article by Professor Kimberly Clausing who estimated that, in 2008 alone, "the income shifting of multinational firms reduced U.S. government corporate tax revenue by about \$90 billion," which was "approximately 30 percent of corporate tax revenues." Think about that. Incoming shifting — in which multinationals use various tactics to shift income to tax havens to escape U.S. taxes — is responsible for \$90 billion in unpaid taxes in a single year. Over ten years, that translates into \$900 billion — nearly a trillion dollars. It is unacceptable to allow that magnitude of nonpayment of corporate taxes to continue year after year in light of the mounting deficits facing this country.

IRS data shows that the overall share of federal taxes paid by U.S. corporations has fallen dramatically, from 32% in 1952, to about 9% in 2009, the last year in which data is available. A 2008 report by the Government Accountability Office found that, over an eight-year period, about 1.2 million U.S. controlled corporations, or 67% of the corporate tax returns filed, paid no federal corporate income tax at all, despite total gross receipts of \$2.1 trillion. At the same time corporations are dodging payment of U.S. taxes, corporate misconduct is continuing to drain the U.S. treasury of billions upon billions of taxpayer dollars to combat mortgage fraud, oil spills, bank bailouts, and more.

Corporate nonpayment of tax involves a host of issues, but transfer pricing and offshore tax dodging by multinationals is a big part of the problem. Section 201 of the bill would take the necessary first step to stop multinational corporations from continuing to dodge payment of U.S. taxes through offshore trickery by requiring them to disclose basic corporate data on a country-by-country basis.

I created the [concept of country-by-country reporting](#) in 2003. **It's come a long way. Now it needs to be law.**