

ALEC EXPOSED

"ALEC" has long been a secretive collaboration between Big Business and "conservative" politicians. Behind closed doors, they ghostwrite "model" bills to be introduced in state capitols across the country. This agenda-underwritten by global corporations-- includes major tax loopholes for big industries and the super rich, proposals to offshore U.S. jobs and gut minimum wage, and efforts to weaken public health, safety, and environmental protections. Although many of these bills have become law, until now, their origin has been largely unknown. With ALEC EXPOSED, the Center for Media and Democracy hopes more Americans will study the bills to understand the depth and breadth of how big corporations are changing the legal rules and undermining democracy across the nation.

DID YOU KNOW? Corporations VOTED to adopt this. Through ALEC, global companies work as "equals" in "unison" with politicians to write laws to govern your life. Big Business has "a VOICE and a VOTE," according to newly exposed documents. DO YOU?

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A RESOLUTION IN OPPOSITION TO MANDATORY UNITARY COMBINED REPORTING

Summary

Many states have adopted, or are considering adopting, mandatory unitary combined reporting ("MUCR") into their corporate tax regimes. MUCR may be an aggressive reporting method used to determine state taxable income for a group of affiliated corporations. At its most basic level, MUCR treats a group of affiliated corporations engaged in a "unitary business" as a single taxpayer notwithstanding traditional notions of corporate separateness. This treatment results in taxing income earned outside the state. The main rationale for adopting MUCR is closing perceived corporate tax "loopholes." However, instead of closing so-called loopholes, MUCR permits a state to tax income earned outside of its boundaries. Further, MUCR creates additional administrative burdens for reporting corporations and state tax administrators, thereby creating an economic drag on the state economy and an unneeded increase in state government bureaucracy.

Model Resolution

WHEREAS, many states generally compute taxable income separately for each corporation that has taxable presence or "nexus" in the state ("separate reporting"), thereby ensuring that only income earned in the state is taxed in the state; and

WHEREAS, MUCR not only subjects corporate income earned in the state to tax, but may also subject income earned by related, out-of-state corporations to tax, which results in an unjust and overreaching increase to the state's overall tax base; and

WHEREAS, many states are considering the adoption of MUCR as a way to shift the corporate tax burden from local in-state corporations to multi-state corporations, thereby creating an uncompetitive environment that impermissibly interferes with interstate commerce, which unnecessarily creates additional constitutional concerns and also leads to increased tax litigation; and

WHEREAS, the use of MUCR may reflect an incorrect presumption that all business lines of a corporation and its affiliates operate at the same level of profitability in all states, which creates a risk that taxable income may be unfairly apportioned to such state, and

WHEREAS, MUCR imposes multiple compliance burdens and substantial tax litigation, as has been the case in California and Illinois; and

WHEREAS, the MUCR regime, as imposed by some states, hurts US competitiveness by taxing foreign income and thus discouraging investment; and

WHEREAS, MUCR may result in assigning income to companies with in-state losses, and such distortions will likely vary among corporations in similar business lines in a state giving one corporation a competitive advantage over another, thereby creating an unlevel playing field among MUCR "winners" and MUCR "losers"; and

Did you know that the Evergreen Freedom Foundation--which is connected to the Kochs--was the corporate co-chair in 2011?

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For more on these corporations, search at www.SourceWatch.org.

WHEREAS, there are alternative means that states have adopted to combat perceived "abusive" tax planning strategies without many of the adverse consequences of MUCR; and

NOW, THEREFORE BE IT RESOLVED, That ALEC opposes MUCR in every instance where the outcome results in an overly burdensome and overreaching method of determining state corporate income tax liability, and encourages legislators in states that have adopted MUCR in such an overly burdensome manner to revise it or re-enact the separate reporting method, as well as encourage legislators in states that are considering a change from separate reporting to an overly burdensome MUCR regime to oppose any such proposal.

Approved by the Tax and Fiscal Policy Task Force on July 17, 2009.

Approved by the ALEC Board of Directors on August 27, 2009.

Center for Media and Democracy's quick summary

This resolution supports a major tax dodge for firms with subsidiaries across state lines known as the "Las Vegas loophole." If enacted, the measure would allow a corporation to dodge their tax obligation with one state by reporting it as income in another state. See also "The Use Tax Elimination Act," which would have a similar effect.

Wisconsin passed a combined reporting law in 2009, to close the "Las Vegas Loophole" and generate more revenue for the state. Governor Scott Walker in his 2011 Budget Bill (SB27/AB40) would reverse the 2009 law in conformity with this ALEC resolution, costing the state millions in lost revenue.

About Us and ALEC EXPOSED. The Center for Media and Democracy reports on corporate spin and government propaganda. We are located in Madison, Wisconsin, and publish www.PRWatch.org, www.SourceWatch.org, and now www.ALECexposed.org. For more information contact: editor@prwatch.org or 608-260-9713.