

Remarks on Tax Code Reform and an Exchange With Reporters

April 5, 2016

The President. Good afternoon, everybody. I'm horning in on Josh's time just for a hot second. As we learned last week, America's economy added 215,000 jobs in March. That means that our businesses extended the longest streak of private sector job creation on record: 73 straight months, 14.4 million new jobs, unemployment about half of what it was 6 years ago.

Now, this progress is due directly to the grit and determination and hard work and the fundamental optimism of the American people. As I travel around the country, what always stands out is the fact that the overwhelming majority of folks work hard and they play by the rules, and they deserve to see their hard work rewarded. They also deserve to know that big corporations aren't playing by a different set of rules, that the wealthiest among us aren't able to game the system.

That's why I've been pushing for years to eliminate some of the injustices in our tax system. So I am very pleased that the Treasury Department has taken new action to prevent more corporations from taking advantage of one of the most insidious tax loopholes out there and fleeing the country just to get out of paying their taxes. This got some attention in the business press yesterday, but I wanted to make sure that we highlighted the importance of Treasury's action and why it did what it did.

This directly goes at what's called corporate inversions. They are not new. Simply put, in layman's terms, it's when big corporations acquire small companies and then change their address to another country on paper in order to get out of paying their fair share of taxes here at home. As a practical matter, they keep most of their actual business here in the United States because they benefit from American infrastructure and technology and rule of law. They benefit from our research and our development and our patents. They benefit from American workers, who are best in the world. But they effectively renounce their citizenship. They declare that they're based somewhere else, thereby getting all the rewards of being an American company without fulfilling the responsibilities to pay their taxes the way everybody else is supposed to pay them.

When companies exploit loopholes like this, it makes it harder to invest in the things that are going to keep America's economy going strong for future generations. It sticks the rest of us with the tab. And it makes hard-working Americans feel like the deck is stacked against them.

So this is something that I've been pushing for a long time. Since I became President, we've made our Tax Code fairer, and we've taken steps to make sure our tax laws are actually enforced, including leading efforts to crack down on offshore evasion. I will say that it gets tougher sometimes when the IRS is starved for resources and squeezed by the congressional appropriation process so that there are not enough people to actually pay attention to what all the lawyers and accountants are doing all the time. But we have continued to emphasize the importance of basic tax enforcement.

In the news over the last couple of days, we've had another reminder in this big dump of data coming out of Panama that tax avoidance is a big, global problem. It's not unique to other countries because, frankly, there are folks here in America who are taking advantage of the same stuff. A lot of it is legal, but that's exactly the problem. It's not that they're breaking the

laws, it's that the laws are so poorly designed that they allow people, if they've got enough lawyers and enough accountants, to wiggle out of responsibilities that ordinary citizens are having to abide by.

Here in the United States, there are loopholes that only wealthy individuals and powerful corporations have access to. They have access to offshore accounts, and they are gaming the system. Middle class families are not in the same position to do this. In fact, a lot of these loopholes come at the expense of middle class families, because that lost revenue has to be made up somewhere. Alternatively, it means that we're not investing as much as we should in schools, in making college more affordable, in putting people back to work rebuilding our roads, our bridges, our infrastructure, creating more opportunities for our children.

So this is important stuff. And these new actions by the Treasury Department build on steps that we've already taken to make the system fairer. But I want to be clear: While the Treasury Department actions will make it more difficult and less lucrative for companies to exploit this particular corporate inversions loophole, only Congress can close it for good, and only Congress can make sure that all the other loopholes that are being taken advantage of are closed.

I've often said the best way to end this kind of irresponsible behavior is with tax reform that lowers the corporate tax rate, closes wasteful loopholes, simplifies the Tax Code for everybody. And in recent years, I've put forward plans—repeatedly—that would make our tax system more competitive for all businesses, including small businesses. So far, Republicans in Congress have yet to act.

My hope is that they start getting serious about it. When politicians perpetuate a system that favors the wealthy at the expense of the middle class, it's not surprising that people feel like they can't get ahead. It's not surprising that oftentimes it may produce a politics that is directed at that frustration. Rather than doubling down on policies that let a few big corporations or the wealthiest among us play by their own rules, we should keep building an economy where everybody has a fair shot and everybody plays by the same rules.

Rather than protect wasteful tax loopholes for the few at the top, we should be investing more in things like education and job creation and job training that we know grow the economy for everybody. And rather than lock in tax breaks for millionaires or make it harder to actually enforce existing laws, let's give tax breaks to help working families pay for childcare or for college. And let's stop rewarding companies that are shipping jobs overseas and profit overseas and start rewarding companies that create jobs right here at home and are good corporate citizens.

That's how we're going to build America together. That's how we battled back from this great recession. That's the story of these past 7 years. That can be the story for the next several decades if we make the right decisions right now. And so I hope this topic ends up being introduced into the broader political debate that we're going to be having leading up to election season.

Okay? And with that, I turn it over to Mr. Josh Earnest.

Iran/Corporate Tax Avoidance

Q. A question about the Panama Papers, Mr. President?

The President. Yes.

Q. Given the release of these millions of pages of financial information, are you concerned that that reflects on the ability of the Treasury Department to sort of be able to see all the financial transactions across the globe—they clearly didn't see these—and whether that suggests that the sanctions regime that you've put in place in a bunch of places around the world might not be as strong as you think it is?

The President. Well, we know the sanctions regime is strong because Iran wouldn't have, for example, cut a deal to end their nuclear program in the absence of strong sanctions enforcement.

But there is no doubt that the problem of global tax avoidance, generally, is a huge problem. It's been brought up in G-7 meetings. It's been brought up in G-20 meetings. There has been some progress made in coordinating between tax authorities of different countries so that we can make sure that we're catching some of the most egregious examples.

But as I said before, one of the big problems that we have, Michael [Michael D. Shear, New York Times], is that a lot of this stuff is legal, not illegal. And unless the United States and other countries lead by example in closing some of these loopholes and provisions, then in many cases, you can trace what's taking place, but you can't stop it. And there is always going to be some illicit movement of funds around the world. But we shouldn't make it easy. We shouldn't make it legal to engage in transactions just to avoid taxes.

And that's why I think it is important that the Treasury acted on something that's different from what happened in Panama. The corporate inversions issue is a financial transaction that is brokered among major Fortune 500 companies to avoid paying taxes. But the basic principle of us making sure that everybody is paying their fair share and that we don't just have a few people who are able to take advantage of tax provisions, that's something that we really have to pay attention to.

Because as I said, this is all net outflows of money that could be spent on the pressing needs here in the United States. And the volume that you start seeing when you combine legal tax avoidance with illicit tax avoidance or some of the activities that we're seeing, this is not just billions of dollars. It's not even just hundreds of billions of dollars. Estimates are, this may be trillions of dollars worldwide, and it could make a big difference in terms of what we can do here.

I'm going to take one more question, and then I'm going to turn it over to Josh. One last one, go ahead.

2016 Presidential Election

Q. Mr. President, the Republican frontrunner today outlined his plan to——

The President. Oh, no, it's—[laughter].

Q. ——pay for a wall along the border——

Q. Climate change?

Q. ——barring undocumented immigrants in the U.S. from sending money back home. What would be the real implication of this plan? And are his foreign policy proposals already doing damage to U.S. relations abroad?

The President. The answer to the latter question is yes. I think that I've been very clear earlier that I am getting questions constantly from foreign leaders about some of the wackier

suggestions that are being made. I do have to emphasize that it's not just Mr. Trump's proposals. I mean, you're also hearing concerns about Mr. Cruz's proposals, which in some ways are just as draconian when it comes to immigration, for example.

The implications with respect to ending remittances—many of which, by the way, are from legal immigrants and from individuals who are sending money back to their families—are enormous. First of all, they're impractical. We just talked about the difficulties of trying to enforce huge outflows of capital. The notion that we're going to track every Western Union bit of money that's being sent to Mexico, good luck with that.

Then, we've got the issue of the implications for the Mexican economy, which in turn, if it's collapsing, actually sends more immigrants north because they can't find jobs back in Mexico. But this is just one more example of something that is not thought through and is primarily put forward for political consumption.

And as I've tried to emphasize throughout, we've got serious problems here. We've got big issues around the world. People expect the President of the United States and the elected officials in this country to treat these problems seriously, to put forward policies that have been examined, analyzed, are effective, where unintended consequences are taken into account. They don't expect half-baked notions coming out of the White House. We can't afford that.

All right? I'm turning it over to Josh. Thank you, guys.

NOTE: The President spoke at 12:15 p.m. in the James S. Brady Press Briefing Room at the White House. In his remarks, he referred to White House Press Secretary Joshua R. Earnest; and Donald J. Trump, chairman and chief executive officer, Trump Organization, and Sen. Edward R. "Ted" Cruz, in their capacity as Republican Presidential candidates.

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