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United States Senate

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November 7, 2017

The Honorable Mike Enzi
Chairman
Budget Committee
United States Senate
624 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Enzi:

On Sunday, a consortium of investigative journalists released over 13 million files exposing how some of the wealthiest people and most profitable corporations in the United States and throughout the world shelter their profits in offshore tax havens to avoid paying their fair share of taxes.

The offshore tax dodging uncovered by the International Consortium of Investigative Journalists (ICIJ) in the "Paradise Papers" raise serious questions about the integrity of our tax system and the ability of the top one percent to rig it in order to benefit themselves at the expense of everyone else.

Whether one is a progressive, a conservative, a Democrat, Republican or independent there is a growing anger in this country about the enormous wealth and income inequality that exists in America today. But it's not only the grotesque level of inequality that the American people are concerned about. It is the fact that the people on top with their wealth and power have access to lawyers and accountants who are able to manipulate the system to reap massive financial gains on behalf of their clients. That's what the rigged system is all about and that's what our committee has got to address.

I am writing today to urge the Budget Committee to hold a hearing on this issue and to conduct a thorough bi-partisan investigation on how much offshore tax evasion has contributed to our \$20 trillion national debt.

The Paradise Papers reveal how corporations, billionaires, and senior officials in the Trump Administration use complicated financial maneuvers to hide their income from the Internal Revenue Service based upon millions of leaked files from the Bermuda-based firm Appleby.

According to ICIJ, Appleby is an integral piece of "the global network of lawyers, accountants, bankers and other operatives who set up and manage offshore companies and bank accounts for clients who want to avoid taxes." This one firm, like other tax haven facilitators in the Caribbean and around the world, attracts and protects "money launderers, drug traffickers, kleptocrats" and other entities who prosper

outside of the law.¹ Among these groups are more than 30,000 people in the United States who hide money offshore to avoid paying U.S. taxes.

The individuals implicated in the Paradise Papers are some of the wealthiest people and most powerful corporations in America. They include billionaires like the Koch Brothers, Sheldon Adelson, Carl Icahn, and Robert Mercer² to large financial institutions such as Wells Fargo, Citigroup and Bank of America to large corporations like Apple and Nike³ to members of President Trump's Administration including Secretary of State Rex Tillerson, Commerce Secretary Wilbur Ross, Chief Economic Advisor Gary Cohn, and Treasury Secretary Steve Mnuchin.⁴

The firm has contracted with Saddam Hussein,⁵ the biggest construction company in the Middle East, and the owner of the failed Fukushima nuclear plant in Japan.⁶ The firm has also worked with powerful government officials in Uganda, Saudi Arabia, Iraq, Kazakhstan, Pakistan, El Salvador, Indonesia, Syria, Canada, the United Kingdom, and the United States.⁷

An internal review of Appleby's records in 2008 showed the firm may be breaking laws and that the firm's own rules were being ignored.⁸ Audits of Appleby records by external agents in 2012, 2014, and 2015 revealed that the firm was contracting with "high-risk" clients, did not obtain adequate information about the source of millions of dollars flowing through the firm, and found critical failures in its procedures to avoid working with terrorists.⁹ The firm has been publicly fined and sued several times for these, and other, infractions, but still maintains a robust client list.¹⁰

The revelations from the Paradise Papers are just the tip of the iceberg. It has been estimated that each and every year wealthy individuals and profitable corporations in the U.S. are avoiding more than \$166 billion in taxes by stashing their cash in the Cayman Islands and other offshore tax havens. The situation

¹ ICIJ, "Paradise Papers: Offshore Trove Exposes Trump-Russia Links and Piggy Banks of the Wealthiest 1 Percent," *International Consortium of Investigative Journalists* (November 5, 2017) (online: <https://www.icij.org/investigations/paradise-papers/paradise-papers-exposes-donald-trump-russia-links-and-piggy-banks-of-the-wealthiest-1-percent/>)

² ICIJ, "Explore the Influencers: Donald Trump's Allies in the Paradise Papers," *International Consortium of Investigative Journalists* (November 5, 2017) (online: <https://www.icij.org/investigations/paradise-papers/us-president-donald-trumps-influencers/>)

³ ICIJ, "Paradise Papers: Offshore Trove Exposes Trump-Russia Links and Piggy Banks of the Wealthiest 1 Percent," *International Consortium of Investigative Journalists* (November 5, 2017) (online: <https://www.icij.org/investigations/paradise-papers/paradise-papers-exposes-donald-trump-russia-links-and-piggy-banks-of-the-wealthiest-1-percent/>)

⁴ Jon Swaine and Ed Pilkington, "The Wealthy Men in Trump's Inner Circle with Links to Tax Havens," *The Guardian* (November 5, 2017) (online: <https://www.theguardian.com/news/2017/nov/05/wealthy-men-donald-trump-inner-circle-links-tax-havens>)

⁵ Will Fitzgibbon, "Paradise Papers: 'Offshore Magic Circle' Law Firm Has Record of Compliance Failures," *International Consortium of Investigative Journalists* (November 5, 2017) (online: <https://www.icij.org/investigations/paradise-papers/appleby-offshore-magic-circle-law-firm-record-of-compliance-failures-icij/>)

⁶ ICIJ, "Paradise Papers: Offshore Trove Exposes Trump-Russia Links and Piggy Banks of the Wealthiest 1 Percent," *International Consortium of Investigative Journalists* (November 5, 2017) (online: <https://www.icij.org/investigations/paradise-papers/paradise-papers-exposes-donald-trump-russia-links-and-piggy-banks-of-the-wealthiest-1-percent/>)

⁷ ICIJ, "Paradise Papers: Explore the Politicians in the Paradise Papers," *International Consortium of Investigative Journalists* (November 5, 2017) (online: <https://www.icij.org/investigations/paradise-papers/explore-politicians-paradise-papers/>)

⁸ Will Fitzgibbon, "Paradise Papers: 'Offshore Magic Circle' Law Firm Has Record of Compliance Failures," *International Consortium of Investigative Journalists* (November 5, 2017) (online: <https://www.icij.org/investigations/paradise-papers/appleby-offshore-magic-circle-law-firm-record-of-compliance-failures-icij/>)

⁹ *Ibid.*

¹⁰ ICIJ, "Paradise Papers: Offshore Trove Exposes Trump-Russia Links and Piggy Banks of the Wealthiest 1 Percent," *International Consortium of Investigative Journalists* (November 5, 2017) (online: <https://www.icij.org/investigations/paradise-papers/paradise-papers-exposes-donald-trump-russia-links-and-piggy-banks-of-the-wealthiest-1-percent/>)

has become so absurd that one five-story office building in the Caymans is now the “home” of nearly 20,000 corporations.

The Budget Committee has a responsibility to U.S. taxpayers to get to the bottom of this serious issue and come up with solutions to prevent corporations and the wealthy from using offshore tax schemes to dodge U.S. taxes.

While the reporting in the “Paradise Papers” exposes a complicated network of offshore tax schemes used by the elite to hide money, it leaves several unanswered questions:

- How much money have members of the Trump Administration avoided in U.S. taxes as a result of offshore tax schemes? Did any of these offshore tax avoidance schemes violate U.S. law?
- How much money have major financial institutions like Wells Fargo, Citigroup and Bank of America avoided in U.S. taxes as a result of offshore tax schemes? Were any of these tax avoidance schemes illegal?
- How much money have major corporations like Apple, Nike, and Exxon Mobil avoided in U.S. taxes as a result of offshore tax schemes? Were any of these tax schemes illegal?
- How much has offshore tax abuse contributed to our nation’s \$20 trillion national debt?
- Besides Appleby, what other firms are helping the wealthy and large corporations shelter profits offshore to avoid paying U.S. taxes?

In my view, before the Senate considers tax reform we must fully investigate offshore tax haven abuse and come up with legislative solutions to prevent the wealthiest people and most profitable corporations in America from dodging U.S. taxes.

In March, I introduced S.586, the Corporate Tax Dodging Prevention Act, with Senator Brian Schatz and Representative Janice Schakowsky to crack down on these abusive tax schemes. Other Members of Congress have introduced similar legislation that we should also take a serious look at.

I urge you to hold a hearing and full investigation into these practices as soon as possible and look forward to joining you in these efforts.

Sincerely,



Bernard Sanders
Ranking Member
U.S. Senate Budget Committee