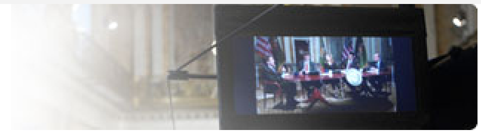
U.S. DEPARTMENT OF THE TREASURY

Press Center



Remarks by Treasury Secretary Jacob J. Lew on a Press Conference Call Regarding Announcement on Corporate Tax Inversions

4/4/2016

As prepared for delivery

WASHINGTON - Today, Treasury is announcing our latest action to limit inversions as well as action to address earnings stripping, a commonly used technique to minimize taxes after an inversion.

For years, companies have been taking advantage of a system that allows them to move their tax residences overseas to avoid U.S. taxes without making significant changes in their business operations.

After an inversion, many of these companies continue to take advantage of the benefits of being based in the United States – including our rule of law, skilled workforce, infrastructure, and research, and development capabilities – all while shifting a greater tax burden to other businesses and American families.

Treasury has taken action twice to make it harder for companies to invert and reduce the economic benefits of doing so. These prior actions had a real impact and have helped slow the pace of these transactions. Throughout this process, we have said we would continue to explore all our administrative authority to address inversions, including potential guidance on earnings stripping.

Today, we are taking further action to make it more difficult to invert. Some companies are serial inverters. They acquire multiple U.S. firms in stock-based transactions over a short period of time. This increases their size and reduces the negative tax consequences of a subsequent inversion. Today's action takes away a significant amount of the tax benefits of these serial inversions.

We are also taking action to curb the use of earnings-stripping by focusing on transactions that generate large interest deductions by simply transferring debt between subsidiaries without financing new investment in the United States.

Finally, we are issuing formal regulations implementing our previous two inversion actions – these simply carry out the original intent of the notices.

We will continue to explore additional ways to limit inversions. But only new anti-inversion legislation can stop these transactions. Until that time, creative accountants and lawyers will continue to seek new ways for companies to move their tax residences overseas and avoid paying taxes here at home.

We urge Congress to take action, and we believe the best way would be to enact comprehensive business tax reform with specific anti-inversion provisions. That is why today Treasury is also releasing an updated framework on business tax reform. This lays out the key elements of the President's approach to reform and details the specific proposals the administration has put forward. This includes a comprehensive approach to reforming the international tax system that stops inversions and makes the U.S. business tax system fairer and more pro-growth. This framework could serve as a guide for future action.

While that work goes on, Congress should not wait to act as inversions continue to erode our tax base. Only congressional action can fully address inversion transactions, and I urge Congress to act this year.

###