GOP Ways and Means contingent calls for defunding OECD

In a continuing attack on a global agreement the Biden administration signed to revise international tax rules, a group of 10 Republicans on the House Ways and Means Committee this week urged House appropriators to eliminate US funding for the OECD, the organization leading the negotiations for the deal.

The GOP taxwriters argued in a March 24 letter to Reps. Mario Diaz-Balart, R-Fla., and Barbara Lee, D-Texas—the chairman and ranking member, respectively, of the House Appropriations Subcommittee on State, Foreign Operations, and Related Programs—that defunding the OECD was justified because the organization "utilizes United States' funding for the primary purpose of advocating against American families and businesses."
URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230331_3_suppA.pdf

"[W]e are concerned OECD has evolved into a venue that advocates against the economic interests of United States' workers and business through its efforts to undermine legitimate, pro-growth tax competition," said the letter, which was spearheaded by Rep. Adrian Smith of Nebraska, one of the most senior Republicans on the House Ways and Means Committee and the chair of the Ways and Means Subcommittee on Trade.

Joining Smith on the letter were nine of his Republican taxwriting colleagues: Reps. David Schweikert of Arizona, Drew Ferguson of Georgia, Ron Estes of Kansas, Lloyd Smucker of Pennsylvania, Kevin Hern of Oklahoma, Carol Miller of West Virginia, Greg Steuebe of Florida, Blake Moore of Utah, and Beth Van Duyne of Texas. It is the latest in a series of letters and statements from congressional Republicans decrying the 2021 agreement and the continuing work to implement it. (For a recap of some of the GOP's concerns, see *Tax News & Views*, Vol. 24, No. 6, Feb. 17, 2023.)
URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230217_3.html

The OECD project to update international tax rules and the agreement to which nearly 140 countries have signed on comprises a plan to revise the existing profit allocation and nexus rules—or who gets to tax businesses—known as Pillar One, and a global minimum tax proposal—to ensure large multinational businesses pay a certain level of tax somewhere—known as Pillar Two. A number of countries have begun work to implement Pillar Two, which can be done unilaterally, while progress on Pillar One has slowed.

Political pushback has brought US efforts to enact legislation to bring the US tax code into compliance with Pillar Two to a halt while many other countries work towards its implementation, however. Attempts by congressional Democratic leaders and the Biden administration to include a Pillar Two-compliant corporate minimum tax in last year's Inflation Reduction Act (P.L. 117-169), for example, were undone by opposition from congressional Republicans and at least one Democratic senator who thought the move was premature.
URL: https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf

Smith and his colleagues pointed to this dynamic in their letter arguing against further US support for the OECD, saying, "While US participation in Pillars 1 and 2 requires legislative action, no majority exists in the House or Senate to enact these agreements. Despite this, OECD continues to produce implementation

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guidance for Pillars 1 and 2, which could ultimately lead to foreign countries levying additional taxes on American companies."

In comments to *Bloomberg Tax* this week, Smith noted that "[t]here [are] concerns about the work product of the OECD. I would hope that if we are funding an agency, that we would see a better work product that is more in our interest rather than creating a lose-lose scenario and paying for it."

The annual appropriations bills that fund federal government operations do not include a line item specifically for the OECD, as it is grouped with funding for other international organizations; however, the Republicans addressing appropriations leaders asked that the fiscal year 2024 State Department and Foreign Operations spending bill include language, known as a policy rider, that would explicitly prohibit "any funding from being provided to the OECD."

While this may indicate a path Republicans could take in a future year if they retain control of the House and retake the Senate majority, defunding of the OECD is unlikely to be a realistic outcome this year. The Republican-majority House appropriators could do as requested and include language to zero out funding for the OECD in the next fiscal year, but it is unlikely that the Democratic-controlled Senate would follow suit—if the process of passing individual appropriations bills even occurs this year—or that this would become such a priority in negotiations between the two chambers that the defunding language would prevail.

As it stands, the request to defund the OECD does not thus far appear to be particularly urgent to the House Appropriations Committee leaders.

"I'm receiving a lot of letters and we'll review all of them," Rep. Diaz-Balart told *Tax Notes* when asked for his reaction to the letter.

Appropriations Committee Chair Kay Granger, R-Texas, similarly expressed no view on the taxwriters' request.

"I haven't been involved in that," she said.

According to *Bloomberg Tax*, the OECD declined to comment on the letter.

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