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Maine's Tax Loophole for Billion-Dollar Corporations Must End as Federal Cuts Loom for Families

Testimony of Don Griswold, Senior Fellow, Center on Budget and Policy Priorities, Before the Maine Taxation Committee

Sen. Grohoski, Rep. Sayre, and members of the Taxation Committee, thank you for the opportunity to submit this testimony in favor of LD1939, An Act to Close Maine's Tax Loophole for Offshore Profit Shifting.

My name is Don Griswold. Previously Berkshire Hathaway's executive tax counsel and an enabler of tax avoidance by some of the world's largest corporations, I'm now a senior fellow at the nonpartisan Center on Budget and Policy Priorities (CBPP), a nonprofit research and policy institute pursuing policies that reduce inequality and restore fiscal responsibility in equitable and effective ways. At CBPP, my particular focus is advising state legislators about a thoughtful and effective approach to closing a loophole that is present in Maine law and that today makes your corporate income tax essentially optional for aggressive billion-dollar corporations.

You have that common-sense policy before you in LD1939. This bill closes a huge tax loophole that discriminates against Maine's local businesses, transfers far too much tax responsibility onto hardworking Maine families, and rigs the system in favor of a small number of immensely powerful global corporations that are abusing their power by not paying their fair share.

Worldwide Combined Reporting – a straightforward, time-tested,[1] U.S. Supreme Court-approved[2] policy solution – would close this loophole, level the playing field, and bring in tens of millions of dollars every year in greatly needed tax revenues.

The Profit-Shifting Loophole

It is common knowledge that powerful global corporations have avoided hundreds of billions of dollars in federal and state income tax in recent years. They pay sophisticated advisors huge fees to develop complex schemes that shift their profits offshore — beyond the reach of federal and state tax authorities — into tax havens that brazenly cannibalize other jurisdictions' revenues.

Maine corporate income tax, like that of most other states, uses the federal tax code as a starting point for its own tax calculations, so offshore profit-shifting for federal tax avoidance automatically avoids Maine tax as well. And it's all perfectly legal today under Maine law.

The problem is enormous, and it is driven by the world's most aggressive corporations and the billionaires who control them. Consider, for example, the globe's three wealthiest people: [3]

- Elon Musk's Tesla reportedly paid virtually zero federal tax on billions of dollars in profits over the past several years.[4]
- Jeff Bezos's Amazon reportedly avoided $5 billion in federal tax in a recent four-year period.[5]
- Centibillionaire Mark Zuckerberg's Facebook is among six global giants (also including Apple, Cisco, eBay, Google, and Microsoft) that together reportedly underpaid their U.S. corporate income taxes by $277 billion by skirting rules aimed at reducing offshore profit-shifting from 2009 through 2022. With interest and penalties, that's half a trillion dollars.[6]

Incomplete Closure of the Loophole

A few years ago, you took an important first step toward closing the profit-shifting loophole by adopting **Water's Edge Combined Reporting**, which shuts down *domestic* profit-shifting (from Maine to the notorious tax haven of Delaware, for example). But that 1980s-era method leaves wide open the loophole that 21st century tax abusers – notably including the wealthiest abusers of corporate and executive power in the current moment – use to shift their taxable profits *offshore* and into shell companies in foreign tax havens.

The Complete Solution Is Worldwide Combined Reporting

LD1939 presents you with an opportunity to close the tax avoidance loophole by adopting Worldwide Combined Reporting (WWCR). No half-measure here; Worldwide Combined Reporting's requirement of complete transparency shuts down corporate state tax dodging entirely. Adoption of Worldwide Combined Reporting would give Mainers an efficient and effective 21st century tool for countering the abuse of corporate power by requiring even the most aggressive billion-dollar corporations to pay their fair share of Maine corporate taxes.[7]

This prudent policy will make all profit-shifting (foreign or domestic) entirely ineffective. Worldwide Combined Reporting eliminates the opportunity for sophisticated avoiders to manipulate the fundamental fictions on which tax avoidance is based – shell companies and paper transactions – because this method instead taxes based on business fundamentals. Virtually every global corporation operates as a *single,* integrated, unitary business enterprise, no matter how many affiliated entities appear in its organizational chart. So, it should be taxed as a single taxpayer.

Tax Avoidance Industry Lobbyists Make Faulty Arguments

Testimonies opposing LD1939 rely on stale, baseless arguments:

- Corporate compliance with WWCR would not be overly difficult for any of the highly sophisticated billion-dollar corporations to which LD1939 exclusively applies. The quality of corporate tax compliance work, no matter how complex, is a matter of having enough resources to get the work done, and these corporations have an abundance of resources. Indeed, they devote considerable resources to devising complex tax avoidance schemes, to defending these schemes in court, and to lobbying policymaking bodies (like the Maine legislature's Taxation Committee) to preserve the loopholes that they exploit.

- Maine Revenue Services already has experience auditing many tax returns similar to WWCR returns because the state's "Augusta formula" is essentially elective WWCR.

WWCR is the gold standard for states that are serious about halting tax abuse by aggressive global corporations.[8]

As the globalized economy, spurred by technology, grew further in the late 1900s, a dozen states organically developed WWCR to accurately measure profits of an integrated business enterprise operating with many affiliates in many jurisdictions. Aggressive UK-based tax avoiders in the 1980s demanded that Prime Minister Thatcher persuade President Reagan to pressure those dozen states into allowing offshore profit-shifting while countering only domestic profit shifting. The result was their substitution of Water's Edge for WWCR.[9]

Thoughtful state policymakers now favor a return to WWCR as the policy that centers the needs of their communities over the demands of aggressive billion-dollar corporations. WWCR is precisely targeted at the problems of both domestic *and* offshore profit-shifting.

H.R. 1, the federal budget megabill enacted in July 2025, will take away support from basic needs programs that Mainers rely on and will shift significant new responsibilities – with tens of millions in new costs – to the state.[10] And the problem of unfettered profit shifting by global power-abusers is not limited to reductions in public funds that could instead be devoted to the common good. Leaving pervasive tax avoidance unchecked has additional consequences – like perpetuating public distrust of a tax system that remains rigged, undermining fiscal citizenship, and sapping popular confidence in government for the common good.

Maine can, and should, do better.

Conclusion

Every Mainer should be able to expect from their elected officials a tax system that distributes the tax-paying responsibility fairly, that is no longer optional for aggressive global abusers of corporate power, and that requires corporations run by the world's wealthiest people to compete on a level playing field with local corporate businesses in Maine.

Why is your enactment of Worldwide Combined Reporting so important? Because an unrigged tax system is an essential element of a society that invests in inclusive prosperity. Because tax fairness makes Maine more competitive. And because tax justice creates space for each and every Mainer to achieve financial dignity.

Now, in the wake of the harmful federal megabill, Mainers need Worldwide Combined Reporting more than ever.

[1] Eleven states have allowed Worldwide Combined Reporting for many years; Alaska requires it for oil companies. Michael Mazerov, "States Can Fight Corporate Tax Avoidance by Requiring Worldwide Combined Reporting," CBPP, June 27, 2024, https://www.cbpp.org/sites/default/files/6-27-24sfp.pdf.

[2] Container Corp. v. Calif. FTB, 463 U.S. 159 (1983); Barclays Bank PLC v. Calif. FTB, 512 U.S. 298 (1994).

[3] Beyond their corporate income tax avoidance, for insights into the *personal* income tax avoidance of the world's four richest people (Berkshire Hathaway's Warren Buffett plus the three individuals noted here), see Jesse Eisinger, Jeff Ernsthausen, and Paul Kiel, "The Secret IRS Files: Trove of Never-Before-Seen Records Reveal How the World's Wealthiest Avoid Income Tax," ProPublica, June 8, 2021, https://www.propublica.org/article/the-secret-irs-files-trove-of-never-before-seen-records-reveal-how-the-wealthiest-avoid-income-tax.

[4] Sarah Anderson, Zachary Tashman, and William Rice, "More for Them, Less for Us – Corporations That Pay Their Executives More Than Uncle Sam," Americans for Tax Fairness, March 2024, https://americansfortaxfairness.org/wp-content/uploads/NFTLFU-REPORT-March-12.pdf. See also Matthew Gardner, "Elon Musk's company avoided almost all federal income tax on nearly $11 billion of U.S. income over three years," Institution on Taxation and Economic Policy (ITEP), January 30, 2025, https://itep.org/tesla-reported-zero-federal-income-tax-in-2024; Jess Bidgood, "What That Chainsaw Was Really About," New York Times, February 21, 2025, https://www.nytimes.com/2025/02/21/us/politics/elon-musk-doge-cpac-chainsaw.html.

[5] Matthew Gardner, "Amazon Avoids More Than $5 Billion in Corporate Income Taxes, Reports 6 Percent Tax Rate on $35 Billion of US Income," ITEP, February 7, 2022, https://itep.org/amazon-avoids-more-than-5-billion-in-corporate-income-taxes-reports-6-percent-tax-rate-on-35-billion-of-us-income/.

[6] Reuven Avi-Yonah *et al*., "Commensurate with Income: IRS Nonenforcement Has Cost $1 Trillion," Tax Notes Federal, May 22, 2023, TNF 05-22-2023.book.

[7] Mazerov, *op. cit.*

[8] Michael Mazerov, "The Case for Worldwide Combined Reporting," Hartman State and Local Tax Forum, October 29, 2024, PRESENTATION-2024-J-MANDATORY-WORLDWIDE-COMBINATION-MAZEROV.pdf.

[9] Michael Mazerov, "States Can Fight Corporate Tax Avoidance by Requiring Worldwide Combined Reporting," *id.*

[10] James Myall, "Maine lawmakers have tools to stop the harms of the Republican reconciliation bill," Maine Center for Economic Policy, December 19, 2025, https://www.mecep.org/blog/maine-lawmakers-have-tools-to-stop-the-harms-of-the-republican-reconciliation-bill/.