Nobody Gets A Free Lunch:

Why A Repatriation Holiday Is An Economic Failure

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Abstract

This paper discusses the anatomy of offshore tax havens that have been planted by multinational corporations, analyzes the ethics behind such policies with comparison to the current tax structure implemented by the United States, reviews President Trump's recent resolution offered to MNCs, evaluates the impact of a repatriation proposal that occurred in 2004, finally concludes an overall opinion on why proposing a similar strategy as an approach towards bringing back overseas profits is not effective, and will further erode the U.S. economy rather than contributing towards growth.

Multinational corporations have long taken advantage of the U.S. tax system by simply avoiding it through offshore tax havens. This strategy has been very effective over the past decade, considering the tax rate at home is a big slice of pie to give up. While economically speaking this approach may be unethical, MNCs can't seem to find a reason to bring back their offshore profits. One solution would be to offer a repatriation holiday for a limited time where corporations pay a fraction of the original tax rate. However, this approach has been examined in 2004, and the outcome was not a positive effect to the economy. If at all, it worsened conditions prior to implementing a repatriation policy.

Keywords; Repatriation, Ethics, Policy, Tax Havens, Strategy, Economy

Introduction

Every year, multinational corporations avoid paying taxes by dodging them through offshore tax havens. Tax havens serve MNCs as a place to store cash and other assets while paying little or no taxes like they would in their home country (Ogle, 2017). Research indicated an estimated $100 billion in taxes were not paid just last year alone. A study done by Jules Hendriksen points out that MNCs are often under pressure to park their funds elsewhere as a response to political parties lobbying to raise taxes (Análise Europeia 2, 2016). As a result, overtime companies have mastered the tax game, being almost second nature at this point. To further explain for example, Apple's avoidance strategy is executed by a process: establish a corporate limited liability company offshore (in this case Ireland), once profits are earned in the US, royalties must be paid to an Irish subsidiary for patents that the company owns on their products which makes it perfectly acceptable to pay an enormously small tax rate overseas versus a higher rate in the homeland. Ireland's employment code does not require managers of any subsidiary to reside in it's country meaning if managers of this subsidiary reside in a country which does not have a tax rate in play, they can transfer those profits tax-free once they have been processed in Ireland. This gives Apple a sustainable advantage by dodging taxes through a strategic route overseas.

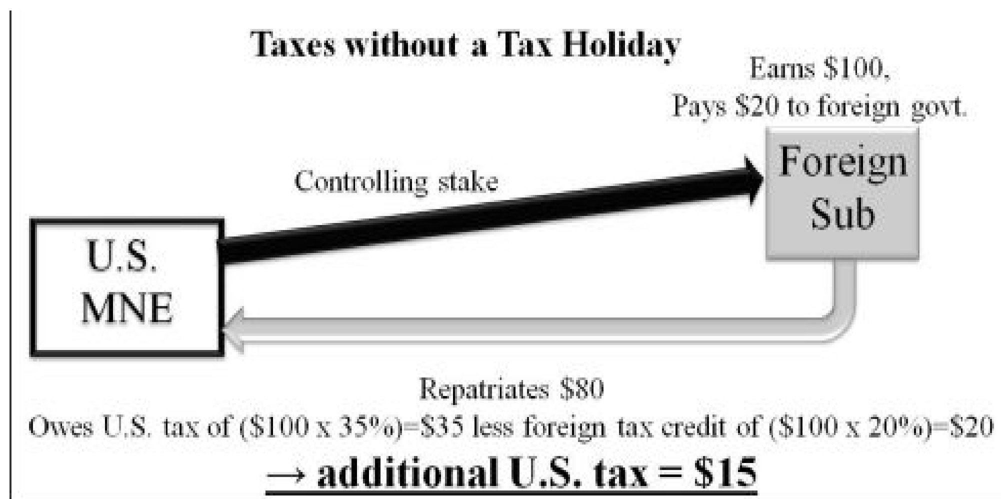
President Donald Trump has proposed a plan as a counter-strategy to what has been previously offered to bring back offshore profits. Along with plans to lower the taxes paid by citizens across the tax brackets, President Trump is also proposing a lower corporate tax rate set at 15%. The plan is to provide a more competitive rate to compete in the global market in hopes that MNCs start to pay more taxes in the U.S. instead of keeping money offshore. Lastly, he is reintroducing a tax holiday for corporations in the form of a 10% repatriation fee for MNCs to further coax companies to return offshore finances back to the U.S.

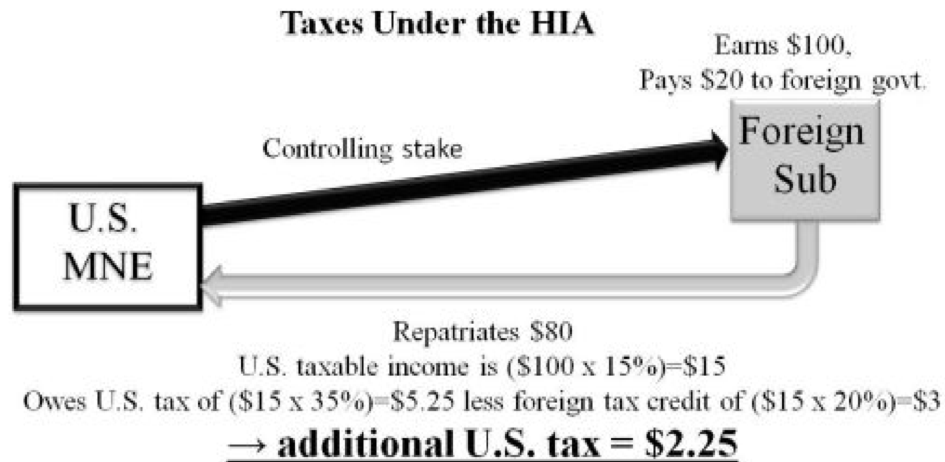
However, this has been attempted previously in 2004 and was filed as The Homeland Investment Act (HIA), a segment of the American Jobs Creation Act (AJCA). As a result, this policy proved not only to be a failure, but further deteriorated the U.S. economy as we observed a loss of 21,000 jobs following after repatriation. History has proven that higher corporate taxes result in higher wages. With President Trump's proposal in consideration, a lower-tax rate for corporations will ultimately result in higher-taxes in the form of lowered wages. The middle-class worker ends up ultimately paying all taxes. We have observed this scenario in the late 1980s when corporate taxes were substantially reduced which resulted in lowered corporation profits and reduced worker compensation.

The First Corporate Tax Holiday
In 2004, an initial attempt towards providing a solution occured when congress offered the Homeland Investment Act (HIA) which was a part of the American Jobs Creation Act (AJCA). Instead of a spiked corporate tax rate of 35%, a one-time repatriation offer was implemented to attract MNCs to bring back their funds by paying a fraction of the original rate at 5.35% with certain guidelines suggested such as utilizing these funds towards job creation, research and development, pay debt, along with many other factors that would steer in the direction of bringing a positive outcome for the US economy (Dharmapala, Foley & Forbes, 2011).

Aside from a beneficial forecast, the result of events following repatriation was more hazardous for the economy than initially proposing the act by Congress. It is observed that with acquiring offshore funds, MNCs bought back company stock, and paid dividends with majority of their repatriated funds. A result of job cuts followed for the next 3 years after, which indicates opposing optimistic expectations as an end-result of the actions performed by MNCs once offered repatriation. From a business point of view, it is no surprise to do what is needed for the best interest of the company hence why as a result of repatriation, MNCs had comparably opposing motives. They chose to do otherwise strategically once funds were released. However, companies lobbying for repatriation back in 2004, filed a draft on what they would vow to if they were to get a "free lunch" but instead acted against their objectives. An investment towards job growth, company infrastructure, research and development, etc. were not attended to which were part of the dividend reinvestment plan.

The Mechanics





Diagrams above indicate the differentiation between what a corporation pays without a tax holiday versus taxes under the Homeland Investment Act (Foley, 2010).

The Significance of Donald Trump's Tax Reform

President Donald Trump's Tax plan has four main goals listed: to provide tax relief for middle-class Americans, simplify the tax code, grow the American economy, and to not add to the national debt and deficit. This is taken directly from President Trump's detailed tax reform on his website that gives a full layout of the proposed plan. Middle-class Americans now only pay 10-20% of their income in tax under Trump's new plan and completely removes nearly 50% of income taxpayers from having to pay at all. The number of tax brackets gets reduced from seven to three to simplify the tax code. The American economy gets boosted by an enormous addition of jobs, engaging more competitively in the global market with the new corporate tax rate, and incentivizing corporate businesses to keep money in the U.S. This strategy is meant to function without adding to the national debt and deficit, and thus make America great again.

Middle-class Americans will be receiving tax breaks, but also corporate businesses. Single filers making $50,000 to $150,000 will be paying a 20% income tax on their money. Any single filers that are making more than $150,000 a year will be taxed at 25%. But President Trump's plan also states that corporate businesses will also be getting tax breaks that is reduced from 35% to just 15% in order to compete in the global market (Bloomberg).

Apple including various other large technology corporations store money offshore in tax havens because the benefits of staying out of the U.S. are greater (Clark 2015). The tech giant reportedly pays less than 3% in taxes through one of their headquarters in Ireland. The company made arrangements with Ireland for a low tax rate and the U.S. will need a strong offer to convince Apple to hold their money in the U.S.

Part of President Trump's plan is requiring a one-time repatriation fee for the corporate cash held overseas at a rate of 10%. The reasoning, according to the detailed tax reform, is that for the U.S. corporate tax rate to be competitive in the global market, it is fair for corporations to provide help so that this can be achieved while still holding on to the fourth goal of Trump's tax reform of not growing the national deficit and debt.

In summary, the requirements asked of Apple would be to pay a one-time 10% repatriation fee and steadily keep a 15% corporate tax rate on their earnings brought back from tax havens. This is not an attractive offer when considering the low rate they already pay. From a business standpoint it is not a financially-sound business decision for Apple, which can be seen as a reflection of their home state's institutional preferences (Elbra and Mikler 2016). Ireland has incentives to lower Apple's tax rates because it keeps the company from wanting to settle in another place. Even with an estimated low tax rate of less than 3%, Ireland still gathers enough from Apple for them to be considered the highest taxpayer in Ireland (Barrera & Bustamante 2017). As a result of having Apple's profits held in Ireland, their economy benefits from investing and job creation that Tim Cook, CEO of Apple Inc., claims is directly related to Apple's presence there (Cook 2016). As long as Ireland (and other tax havens who benefit by being host to MNCs) offer single-digit tax rates, the United States will have a hard time competing in the global market and getting an ideal result from repatriation (Jones and Temouri, 2016).

Tax rates and high tolls are not a smart way to coax corporations into bringing offshore cash back to America as shown in the attempt by former President George W. Bush in his repatriation attempt in 2004. In 2004 a repatriation attempt was made in the same manner as is being done today by President Trump, except at a lower rate. Instead of a one-time payment at 10%, the repatriation was offered at 5.25% in 2004; however, the results were not as were optimistically expected. Of the 9,700 that were eligible for repatriation only 843 corporations brought back earnings (Cox 2017). Only 11% of companies participated and brought back over 30% of the estimated cash held overseas (Cox 2017). It seems as though the incentive at 5.25% was not sufficient enough to convince most companies to participate in the tax holiday, and seeing if there will be a different outcome this time around by President Trump will be telling of repatriation strategies as a whole.

As discussed throughout the paper, the most important reason that the repatriation attempt in 2004 was considered a failure was because the money that was brought in from offshore accounts was ultimately used to by those same businesses to buy back stocks and pay dividends to company shareholders. In fact, a study revealed that the event of repatriation eventually led to thousands of employees losing their jobs (Sheppard and Sullivan 2009). In a high-tech world, the second-half of capital is intellectual property. An additional outcome of parked offshore funds is the fact that it is a motivator towards raising the unemployment rate indirectly as a result of the ascending rate of job transfer. Offshoring IP requires transferring jobs, and while less visible is an important factor to be considered (Wiederhold, G. 2011)

Table 1. Selected Information on 12 Corporations that Utilized the Repatriation Provisions in the American Jobs Creation Act

Company	JOBS Act Repatriation Amount ($ Billions)	Jobs Lost in 2005-2006	Pre-JOBS Act Accumulation of Foreign Earnings (2 years, $ Billions)	Post-JOBS Act Accumulated Foreign Earnings ($ Billions)
Pfizer	37	10,000	29	60
CitiGroup	3.2	n/a	6	21
Merck	15.9	7,000	18	17
Hewlett-Packard	14.5	14,500	14	8
Proctor & Gamble	10.7	unspecified # lost	14	17
IBM	9.5	n/a	18	18
PepsiCo	7.5	200-250	9	15
Motorola	4.4	unspecified # lost	6	4
Honeywell	2.7	2,000	3	4
Ford	0.9	30,000-40,000	n/a	n/a
National Semiconductor	0.5	5% of workforce	n/a	n/a
Colgate-Palmolive	0.8	4,000	n/a	n/a

Table 1 shows twelve large corporations who participated in the repatriation attempt in 2004 and how their workforce was affected. Although it may not be exclusively attributed to the American Jobs Creation Act, it certainly is an important factor in the large amount of jobs lost. The companies saw the opportunity to fix their balance sheets and took it instead of benefiting the economy on a larger level. To be successful, the repatriated money should have been injected into the economy in a short period of time to stimulate economic activity (Sheppard and Sullivan 2009).

The cause of the misdirected cash flow was in the flaws throughout the American Job Creation Act of 2004. As part of the repatriation offer, the U.S. gave corporations leniency on the manner in which the repatriated cash is spent. Without intending to, the clauses in the proposed act allowed room for corporations to buy back stocks and mend their balance sheets. The funds were originally designed to be used to stimulate the economy, but was occupied instead, to the corporations benefit. The act did little to accomplish what it hoped for and thousands of jobs were lost as a result. With more strict limitations on utilization of these funds, perhaps an economic stimulus can occur successfully.

Adding more limitations to a repatriation offer to secure offshore cash upon arrival in the U.S. creates a problem. Restrictions on spending constructs the offer as less appealing from the perspective of MNCs. The more research that is done on repatriation of offshore cash, the less it seems like a plausible and intelligent way to reform tax law in the U.S.

This tax reform that is being pushed by Trump and his associates must be assessed from multiple angles. As a middle-class American, the claim and goal of lower tax rates appears beneficial and it may be as simple as that to some American citizens, but President Donald Trump's profession as a businessman must be taken into consideration because his final goals may differ from the goals of the average American or small business. According to a study done in 2017, at least 10 of Donald Trump's closest associates in and out of the White House hold cash offshores in tax havens such as Ireland, Cayman Islands, Bermuda, and the Isle of Man, which are all countries who were confirmed as tax havens in the Stop Tax Haven Abuse Act (Gravelle 2009). Gary Cohn, Donald Trump's chief economic adviser, was one of the many men mentioned in the article to hold offshore cash (Swaine and Pilkington, 2017). Among others mentioned are: Rex Tillerson (U.S. Secretary of State), Steven Mnuchin (U.S. Secretary of the Treasury), Jon Huntsman (U.S. Ambassador to Russia), and many more prominent members in Donald Trump's inner circle. Cohn is the main proponent of new tax reform and is pushing hard for the bill to pass, but considering Cohn and the others have personal stakes in the outcome shows a biased agenda that may not be the greatest outcome for the United States as a whole.

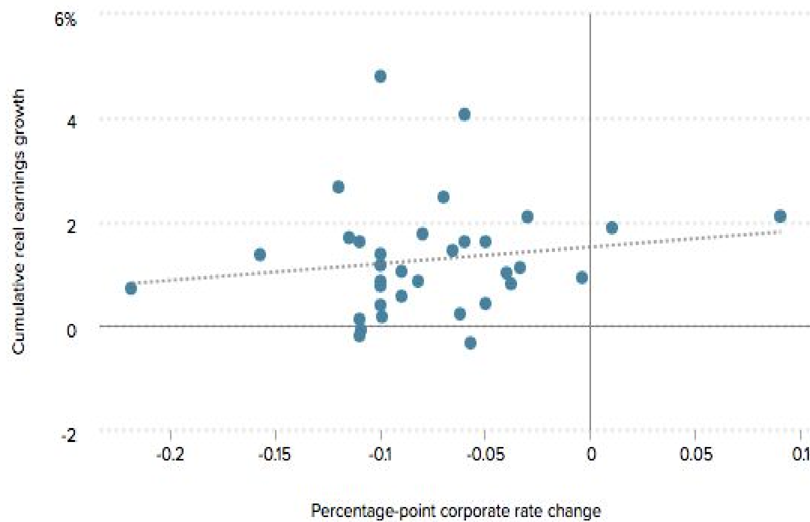
Apple's Court Hearing

On May 21, 2013 Apple attended a court hearing which had a core-objective of discussing offshore funds. In the hearing, Apple CEO Tim Cook mentioned how the company was already impacting the U.S. infrastructure positively as a result of being a company success alone. He argued that the tech-giant was the largest corporate income taxpayer in America. He also stressed on the fact that the company had created its own economy with reference to the App Store, which is currently a multi-billion dollar marketplace alone and has contributed towards tremendous job growth in the country. An estimation included an addition of 300,000 jobs to the U.S. while app developers generated $9 billion from apps sold, half of which was earned in the previous year solely (Cook, 2013). Aside from the App Store, a high demand for Apple products globally has benefited the company back home where recently an environmentally friendly headquarter base in the home of Cupertino, California is being built along with an assembly line in the state of Texas as well as one of the largest data centers in the world here in the United States. Mr. Cook suggested that a tax-rate in the "single-digits" would be appropriate for MNCs to bring back their funds overseas but would also result in a "revenue-neutral" scenario where some companies would pay higher amounts versus others paying less. In this case, Apple would be primarily spending significantly more than others but still views a single-digit rate across the board as a major benefit to the U.S. economy. Mr. Cook also mentioned during the court hearing that unlike typical MNCs, Apple does not hide their funds, referring to money hidden on islands for example the Caribbean which operates tax-free. Many corporations use an island as a funnel to bring back funds after being processed at a subsidiary. Apple argued that their funds remained overseas due to the rapid growth of the global marketplace. Being a good corporate-citizen, Apple showed significant signs of supporting the strength of the US economy and lobbied for a lower tax rate. However, convincing other multinationals

about their promising contributions after organizing a lower rate will be unlikely. A similar repatriation approach attempted in 2004, did not bring healthy results. Not only is this an indication that a second attempt would be a failure, the Joint Committee on Taxation (JCT) discovered that a tax-holiday would not bring economic strength in the long run. For decades to come, a free lunch approach would further deteriorate the economy, and this would entice MNCs to further push funds overseas in an effort to receive yet another tax-holiday in the future with an even lower rate.

Figure 2 provides a strong indication that multinational corporations following the first repatriation showed anticipatory symptoms towards a second tax holiday. MNCs volunteered to repatriate far less over the following years even though they are capable to bring much higher amounts indicating their expectations for another holiday (U.S. International Transactions Accounts, Bureau of Economic Analysis).

In smaller economies, it is evident that boosting corporate tax cuts will increase wages in the long-run. In fact, former British territories were encouraged to become tax havens to decrease their dependency on the United Kingdom (Hampton and Christensen, 2002). However, the United States is a global behemoth of an economy that runs on differentiating metrics and does not entirely depend on domestic markets alone. Additional variables must be considered when approaching a tax-cut/wage boost strategy.



Corporate tax rates and real annual earnings data come from OECD. Stat website, accessed October 2017. Earnings are in 2016 U.S. dollars on a purchasing power parity (PPP) basis.

Figure 1 provides clear data regarding the impact of a second attempt at repatriation. Bringing in capital from overseas, results in the requirement of the United States to increase their trade deficit. Over-time, an increase in deficits would reduce the amount of jobs in manufacturing. In simple terms, more capital does not necessarily mean more opportunity.

Aside from the JCT, tax experts Lee Sheppard and Martin Sullivan in 2009 concluded their studies with the fact that multinational corporations did invest more earnings permanently overseas following repatriation in 2004 (figure 3) with expectations that a tax-holiday will yet again arrive sometime in the near future that they will benefit from.With reference to the economy, a temporary gain for a brief period is not worth a towering loss in the future. Simply put, a repatriation holiday has already been examined and repeating this strategy is not an economical approach.

The average increase in permanently reinvested foreign earnings following repatriation between 2006-2008 summed to $1.32 billion. With comparison to this calculation, over a ten-year time period from 1994-2004 right before a repatriation holiday was implemented, permanently reinvested foreign earnings resulted an average of $342 million which is a small fraction, counts as an estimated 25% of the average funds reinvested in a two-year window following repatriation which that of alone is a 5th of the time period with comparison to what had been reinvested prior to repatriation over the span of 10 years.

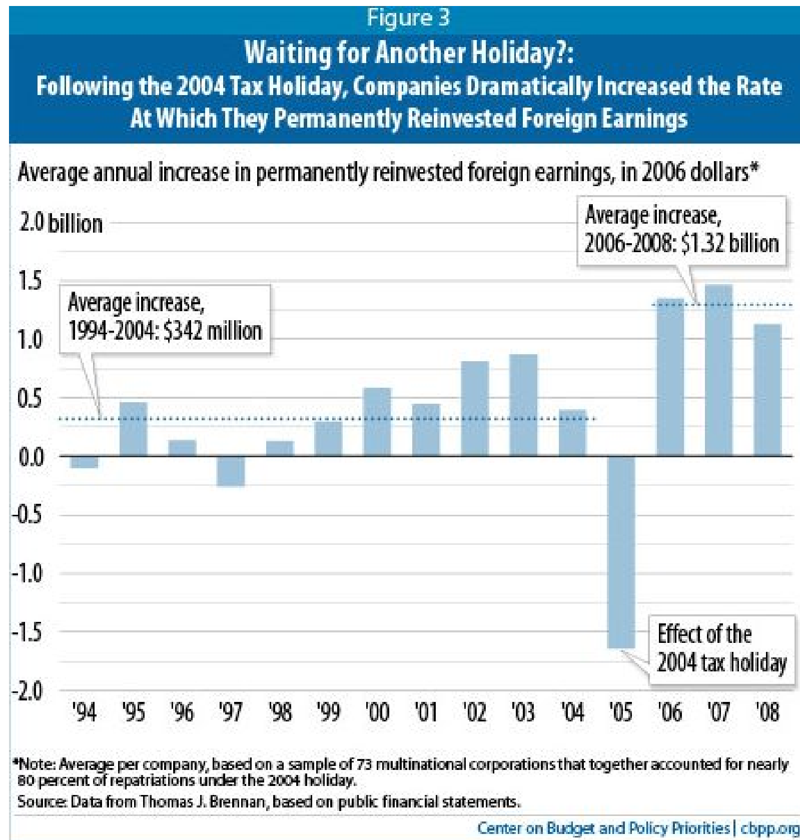
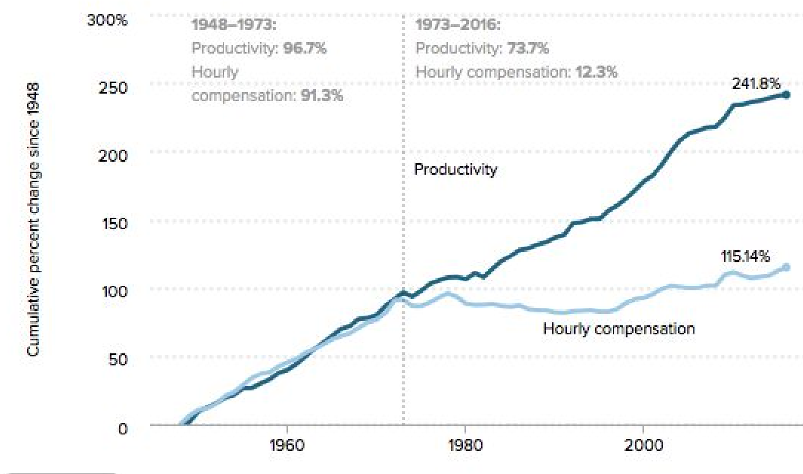


Figure 3 indicates that, as a result of the Homeland Investment Act, a sudden drop in invested foreign earnings took effect following repatriation in 2005. It didn't take much longer for multinationals to organize an effective strategy by reversing their motives and depositing reinvested foreign earnings, in an effort to expect yet another repatriation holiday. (Shepard, Sullivan, 2009)

A clear indication from examining post-repatriation factors state that a lower-tax rate offered by the Trump administration or following a similar strategy proposed in 2004, is a recipe for a steady eroding economy. An economical approach for both parties with regards to Congress and MNCs, obligates to reorchestrate a scenario where the probable outcome will not have an effect that former programs have proven. As world class economist Milton Friedman suggests, there is no such thing as a "free-lunch" meaning that the idea of somehow or the other you can tax businesses without consumers, employees, or other individuals paying for it. This free lunch ideology is entirely inaccurate and hazardous for the United States. Taxes paid by an employer boils down to the root of employees paying the price. When a corporation considers hiring an individual, part of consideration includes their willingness to pay their employees tax aside from the worker paying an independent compensation tax. Over-time evidently however, research proves it is the employee whom at the end of the day, ultimately pays all the taxes. Corporations succeed in doing so by lowering wages which is a result of smaller capital stock. In a rather obvious economically logical case, the correlation between productivity and pay, rise and fall together. Additionally, a case study which

involved seven countries examined income and work norms suggested that, “The concept of an employment relationship implies that employees work in exchange for some reward, and this reward is often monetary compensation (Brockner, 2002; Janssen, 2001).” However, today middle-class workers as a consequence of lowered wages in response to corporation taxes, end up working more for less value thus implying that the ever-increasing gap between worker pay and productivity continue to grow apart to an extent where an “exchange” factor for rewards in this case monetary compensation, has little to no direct dependant relationship. Previous variables mentioned have been replaced by studying the changes between corporate tax levels and wage adjustments.

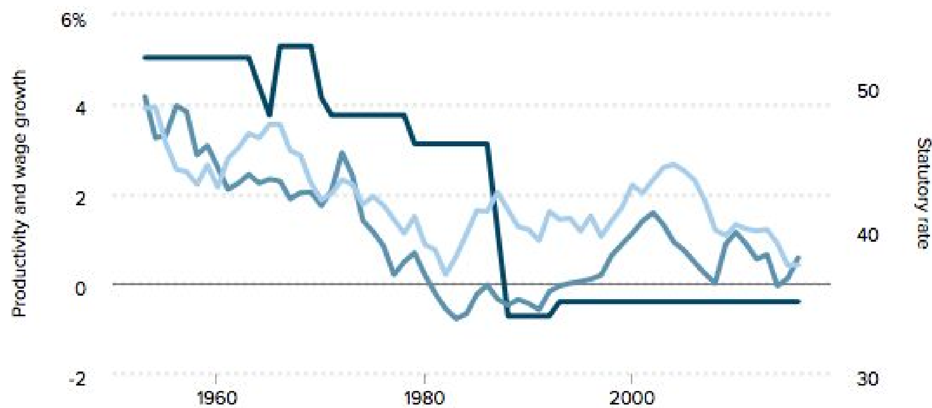


“Data are for compensation (wages and benefits) of production/nonsupervisory workers in the private sector and net productivity of the total economy. "Net productivity" is the growth of output of goods and services less depreciation per hour worked.” (Bivens and Mishel, 2015)

FIGURE A

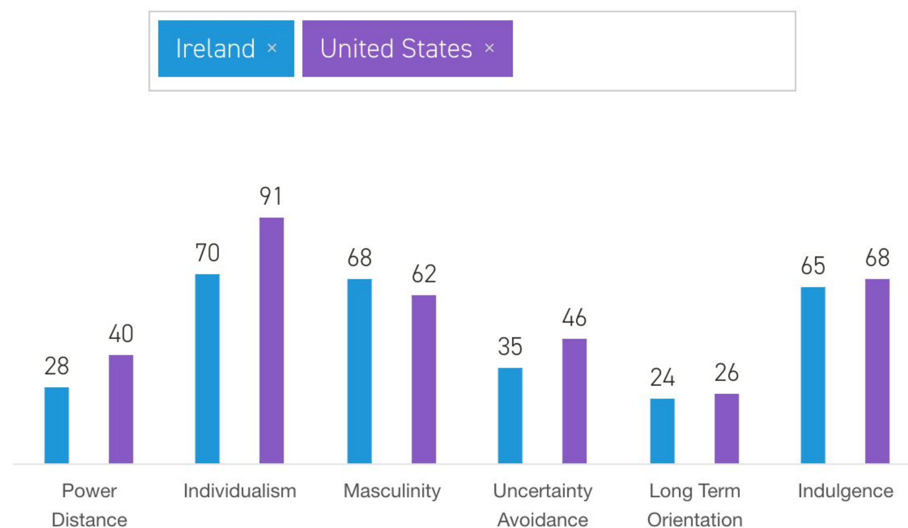
Productivity and hourly pay grew faster when corporate tax rates were higher

Statutory corporate tax rate and 5-year average of productivity and real hourly pay growth, 1953–2016



"Productivity is the 5-year average annual change in total economy productivity (TEP) measure using unpublished data from the Bureau of Labor Statistics (BLS). Pay growth measures real compensation of production and nonsupervisory workers, using data from the Current Employment Statistics (CES) program of the BLS and Table 7.8 from the National Income and Product Accounts (NIPA) of the Bureau of Economic Analysis (BEA), as described in Bivens and Mishel (2015)."

Hofstede's Six-Dimensional Model



This graph was taken directly from Hofstede's Insights, which provided useful information for the theories and suggestions in this paper. When looking at the six-dimensional model provided by Hofstede's Insights, we can observe that the U.S. and Ireland both share similar scores with the biggest differences being in Power Distance and Individualism, which are still relatively similar when comparing other countries. In this model, a high score in Power Distance signifies that a society believes in retaining a greater distance between low and high members, in terms of power, within an organization. A lower score means that there is a more equal relationship between those same members such that high-powered members still rely and communicate with lower-level members who have a greater importance, thus minimizing the "power distance" factor. When comparing Ireland's score of 28 and the the United States' score of 40, we derive that both countries score in the lower range of percentages, but the U.S. is higher. We can conclude that people in the U.S. will generally believe in a system that has greater distance of power compared to citizens in Ireland.

Individualism, as the name implies, tells us how interdependent members of a country are or how glued they view society as a team. A higher score signifies a more individualistic mindset, and a low score means that the society is more of a collective and tends to think as a group. Again, the United States scores higher with a 91, where Ireland scores a 70. We can see that people in the U.S. think individually and for themselves as opposed to being part of a team or group. It is part of the "American Dream" to work hard and make success for one's self and the Individualism margin in the model aids to confirm that.

How do these small differences in society matter for the subject of offshore cash in Ireland and repatriation in the United States? President Donald Trump and many of his associates benefit from passing their tax reform, which includes repatriation as one of its goals. If the detailed plan is correct, then American citizens also benefit, individually, by paying lower taxes. Although President Trump claims that his plan will not create more debt, it is unsure whether it will be that way. For American citizens to accept this tax

reform would show an individualistic view that benefits each individual, but may create debt for the society as a whole. Ireland has shown willingness to keep hosting MNCs and keeping the tax rate down because of the national benefits it has by doing so. Jobs are created and money flows in for the benefit of the entirety of the population, not just a few.

Ethics

The federal government provides legal and encouraged tax breaks for individuals and businesses engaging in positive and long term-oriented activities. For individuals, an example of such a venture would include higher education. For businesses, tax relief can be found through capital investments and corporate charitable giving. The government intends to incentivize these and other behaviors by reducing the tax burden. While some businesses participate in these activities by purely altruistic motives, many do so to receive the tax breaks and show stakeholders they value corporate social responsibility. A 2013 survey has shown that "60% of [companies] feel that environmental, social, and/or governance programs increase shareholder value and are necessary to maintain profitability". (Barnea, p. 1067) Ethical questions are raised when businesses take advantage of the system to avoid paying expected tax expenses. In 2004, it was found that income was under-reported as much as 17.4% for corporations and 13.8% for individuals (Slemrod, p. 877). Not only do corporations exploit loopholes within United States tax law, multinational companies may also use the mismatched laws between the differing countries to their advantage. In such cases, businesses are found to go to lengths in their attempts to avoid payment. While these activities work within current regulations, and are not technically considered illegal, it is important to mention the ethical discussion surrounding this topic.

The ethical dilemma created by this scenario is known as tax avoidance. This is not to be confused with tax evasion. While companies may work to legally avoid and minimize the fees, others simply choose nonpayment or underpayment. Therefore, although many consider avoidance unethical, the act of tax evasion is considered illegal. As an example, "A multinational firm that constructs a factory in a low-tax country rather than in the United States to take advantage of low corporate tax rates and deferral of U.S. tax is engaged in avoidance, while a U.S. citizen who sets up a secret bank account in the Caribbean and does not report the interest income is engaged in tax evasion" (Gravelle, 2009, 727). By incorporating in Ireland, United States law considers Apple Inc of Irish residency. In contrast, Ireland considers a company's residency to be based upon where the company is managed and controlled. By moving its profits to its "headquarters," Apple Operations International and its subsidiaries were able to avoid both the U.S. and Ireland's taxes." (Barrera, 2017, p. 153) "The Subpart F rules attempt to prevent the shifting of income, either from the United States or from the foreign country in which it was earned, into a low-or no-tax jurisdiction. Thus, Subpart F generally targets both passive and mobile income. The Subpart F rules discourage the shifting of these types of income by disallowing deferral of U.S. taxation for such income and requiring current taxation." (Hines, 1999, p. 307) Avoidance, therefore, is not only the use of legal tax minimization, but also exploits any lack of clarity found in present tax laws.

Studies have been conducted regarding how to determine which countries should be considered tax havens. It is known that these countries can financially and economically benefit from the additional revenue. This effort requires coordination, budgeting, and planning. “Countries eager to attract foreign capital face considerable international pressure to minimize their taxation of income earned by foreign investors (Dharmapalaa, Hines, 2009, p. 1058). The initial loss in revenue from reduced taxation in these countries makes income forecasting difficult, and may lead to reduced overall earnings. Organization needed to successfully generate positive income from reduced taxes to hopefully encourage foreign investment. This may explain why many of the countries which are considered tax havens tend to be well-governed and smaller in size. However, tax haven countries tend to have a higher growth rate in GDP per capita and may benefit them in the long run (Butkiewicz and Gordon 2012). A 2009 study on these countries found that “the returns to becoming a tax haven are greater for well-governed countries: that higher foreign investment flows, and the economic benefits that accompany them, are more likely to accompany tax reductions in well-governed countries than they are tax reductions in poorly-governed countries” (Dharmapalaa, Hines, 1059). Some smaller countries and islands that used their status as a tax haven to grow, however, face a problem because a quarter of their economically active population relies on the financial industry with no real diversity in anything else, which manifests when they are forced to rely less on offshore financial services (Hampton and Christensen, 2011).

Although tax avoidance has recently garnered significant attention, this is not a new phenomenon. The United States economy relies on global competition. As technology has increased the ease in which businesses can expand to global markets, a growing number of firms are required to take foreign tax policies into account. A study in 1994 noted that “the revenue-maximizing tax rate for a typical haven is around 5–8 percent” (Hines and Rice, p. 149). Over the years, many have been cited for navigating the tax policies to their advantage. One recent case which gained attention from the public involved the well-known machinery company, Caterpillar Inc. According to the Senate report, “Caterpillar was able to reduce its U.S. taxes by $2.4 billion by tax planning related to its supply chain” (Cen, et al., 2017, p. 377). A study completed in March 2017 which focused on Fortune 500 companies found that 258 of the corporations studied paid an effective federal income tax rate of 21.2 percent between the years of 2008 and 2015. According to Gardner, it was also found that a fifth of the corporations paid an effective tax rate of less than 10 percent over that period (Gardner, p. 1).

Conclusions and Suggestions for Future Research

This paper focuses on the overall economic impact of a repatriation tax holiday proposed by congress as a result of multinational corporations orchestrating offshore tax havens. While this strategy may not efficiently stimulate the economy, subsequent research may involve how the government has used the tax revenue from the repatriated funds in 2004. Following repatriation, it is evident that a tax holiday did not increase domestic investment, supplement job growth, or contribute towards research and development.

Additionally, research regarding the percentage of companies which chose to repatriate, although puzzling to calculate, might give insight as to further steps towards examining this preventative strategy. Also, while a three-year period of job cuts is evident, research may be conducted regarding alternative causes for this phenomenon.

Future research should explore the idea of a transition tax reform where multinational corporations would be encouraged to bring their offshore funds with the exception of paying a one-time corporate tax fee prior to transitioning towards an entirely new structured corporate tax system. Unlike previous examples, this strategy has a different approach with the idea that a one-time fee is implemented before entering a new tax environment. If this new system is engineered properly, it could provide healthy benefits to the economy (Marr & Huang, 2017). It would be very interesting to see how this approach is built upon with new research conducted towards designing a program that revolves around a new tax structure. Additionally, another study could be addressed towards measuring the effects of repatriation on worker compensation; examining the impact it has ultimately on employees, and further providing clear evidence towards Milton Friedman's theory on corporate taxes (Bivens 2015). Apart from previous suggestions, a case study done on an insider approach in the involvement of MNCs re-investing foreign earnings overseas to clarify their objectives would be interesting. Through this approach, new information may suggest other motives MNCs may have aside from strategizing solely towards tax avoidance.

Corporations committing to social responsibility towards a new system of tackling repatriation instead of monetary requirements in forms of taxes, would also be another great suggestion to do further research on (Svernlov & Osterman, 2016). Not only is the U.S. infrastructure benefiting, but it is indeed a great marketing strategy for companies to further build their presence in their communities. Additionally, it also creates trust among consumers, a healthy component of good business. This approach would be a win-win for both congress and multinationals. Although it would not seem to be patriotic, I would also be interested in discovering the benefits of offshore tax havens, and why it may possibly be economically acceptable to leave funds overseas instead of building a system where offshore funds can be transferred back home. This approach should further examine the effect on deficits in the country, and explain through evidence how a repatriation holiday may be radioactive to the U.S. economy over-time (Marr & Huang, 2017).

Through further observation, it is clear that there is no such thing as a "free lunch" and someone has to pay the bill at the end. In economic terms, the idea that businesses can be taxed is flawed. Only members of our society can be taxed, either it is by the consumer, stockholder, or employee. There is no monetary Santa Claus or tooth-fairy that is going to provide a source from which the government can spend on infrastructure, it is rather pure fiction. Attending to a second repatriation holiday is not intelligent, and will further entice MNCs to park more funds overseas as a prelude to another tax holiday down the road (Marr & Huang, 2017) Over the past few decades, the common argument has always been to reduce individual taxes and the need for increasing corporation taxes. However,

research indicates that at the end of the day it is not the business**,** but the individual that pays the bill. In majority cases, it is observed that the middle-class worker is the victim. Nobody gets a free lunch.

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