

washingtonpost.com

Tax-Haven Firms Lobbying Against Curbs

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Tuesday, September 24, 2002; Page E01

When Congress began moving this summer against U.S. companies that avoided taxes by being headquartered in offshore havens, Bermuda-based Accenture Ltd. took a decidedly American line of defense.

It hired lobbyists, lots of lobbyists: Bush family confidant Charlie Black, former House Appropriations Committee chairman Robert L. Livingston (R-La.), former senator Dennis DeConcini (D-Ariz.) and Reagan White House chief of staff Kenneth Duberstein.

Accenture is not alone. Tax haven-based companies may be persona non grata to many on Capitol Hill, but they have become a godsend to K Street. And the high-priced lobbyists prowling the halls of Congress on the companies' behalf may be succeeding in delaying or watering down what once looked like an unstoppable tide of legislation designed to force the companies back into the U.S. corporate tax fold.

"They've hired everybody in town," marveled Todd Malan, executive director of the Organization for International Investment, which lobbies for foreign corporations. "They are being discreetly aggressive."

The companies are fighting on multiple fronts. Both the Senate and the House have approved language in their homeland-security bills denying federal contracts to companies largely based in the United States but incorporated in tax havens. The Senate has attached similar language to its defense-spending bill. Lawmakers in both bodies are also considering legislation designed to deny any tax advantage to companies that move offshore.

"There is no question, if all of this is enacted, some very large oxes will be gored," said one lobbyist working against the legislation.

But the effort has lost momentum since the venerable Connecticut toolmaker Stanley Works touched off a political furor this summer by trying -- and failing -- to reincorporate in Bermuda. Already, officials at Intelsat Ltd., which is based in Washington but incorporated in Bermuda, think the company may have wriggled off the hook. Lawyers for Intelsat, a recently privatized satellite communications firm, believe Senate language that would bar the awarding of federal homeland security contracts to "corporate runaways" would leave the company unscathed because of its unusual roots as an international, government-owned entity.

Other companies hope subtle language changes will help them. Scandal-scarred Tyco International Ltd., which reincorporated in Bermuda in 1997, has hired former Republican presidential candidate Robert J. Dole. Former House Ways and Means Chairman Bill Archer (R-Tex.) is making the case for two oil drillers from his former Houston congressional district, Weatherford International Inc. and Noble Corp. And toolmaker Ingersoll-Rand Co. is channeling up to \$480,000 to the power law firm Verner, Liipfert, Bernhard, McPherson and Hand. Livingston also represents the Cayman Islands, a longtime tax haven.

The pitch goes something like this: Sure, we've opened nominal headquarters in a tax haven, but we're not like those other companies that did it just for the money.

"Everybody yelled and screamed, and properly so, when Stanley . . . tried to skip town just to avoid taxes and when Enron and WorldCom folded and left thousands of Americans without jobs and retirement savings," said Livingston, making the Accenture argument. "But in this case, the U.S. Congress will force 2,500 Americans out of their jobs for no reason at all, other than they happened to be on the street corner when the fire truck went by. Clearly, Accenture is an innocent bystander."

Accenture, which was spun off from Arthur Andersen LLP with 40 locally owned partnerships in 46 countries, decided to incorporate in Bermuda last year. But Accenture officials and lobbyists insist the tax advantage was only a minor factor in the decision. The main reason was diplomacy, they said. European and Asian partners did not want an American headquarters, and U.S. partners didn't want to be headquartered in an Asian or European capital.

"So they picked a nice island, Bermuda," said Livingston.

When Intelsat became a private company, its officers had to choose a headquarters that would make commercial sense to the company's owners, and those owners were telecommunications firms -- some of them

government-owned -- from more than 140 countries. Bermuda offered neutral turf as well as tax advantages, said Tony Trujillo, Intelsat's vice president for corporate services.

Given its unique history, Intelsat officers and lobbyists say, Congress could not have intended to bar the company from defense and homeland-security contracts, especially because the measures could block Pentagon access to the company's 22-satellite fleet at a time when bandwidth has become a dangerous bottleneck for the military.

The Texas oil drillers, Weatherford and Noble, say they, too, have legitimate reasons for reincorporating in the Caribbean this year. Almost all of their business is in oil fields on the other side of the globe. Their European competitors, especially Schlumberger Ltd., have been incorporated in the Netherland Antilles for decades.

Seeking out the tax advantages of the Caribbean was the only way for Weatherford and Noble to keep their managements in the United States, one lobbyist said. Otherwise, they would have had to put themselves on the auction block.

Advocates of a crackdown dismiss such stories as excuses.

"These companies can just come back," said Allison Dobson, a spokeswoman for Sen. Paul D. Wellstone (D-Minn.), who authored the anti-haven provision in the Senate homeland security bill. "They can be good corporate citizens, pay their taxes and get their government contracts again."

But the haven-based companies may be winning. The House's broad anti-haven measure is bottled up inside a larger international tax bill that is widely considered dead for the year. House Democrats have questioned whether to push for their own version of the Senate's amendment that would deny defense contracts to haven companies because it could be seen as politicizing defense spending.

That leaves the homeland-security measure, which lobbyists and lawmakers say has a good chance of survival.

Considering how badly the companies could have been hurt, killing two out of the three measures could be seen as a victory, lobbyists say. Still, they are loath to crow yet, especially because any victory could be temporary.

Said one lobbyist working for two Caribbean-based companies: "Time constraints may defuse this thing for now, but depending on who controls the Congress next year, we think it will be right back up."

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