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Lew says Apple's tax fight could spur congressional action

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U.S. Treasury Secretary Jacob Lew on Wednesday criticized a European ruling that Apple owes more than $14.5 billion in back taxes. But he said the decision may spur Congress to finally address the stalled effort to reform America's corporate tax structure.

Lew said that while the Obama administration has failed in its efforts to get tax reform through Congress, he believes the unhappiness expressed by both Democrats and Republicans following Europe's announcement on Tuesday could push Congress to act.

He said he is "hopeful that we will see action, probably not in my tenure, but early in the next administration."

The European Commission ruled Tuesday that Apple must pay roughly 13 billion euros ($14.5 billion) in back taxes plus interest for what European authorities ruled were unpaid taxes accumulated over a decade that Apple owes Ireland. Both Apple and Ireland have said they plan to appeal the decision.

Lew said that he saw Europe's effort as "an attempt to reach in to the U.S. tax base to tax income that ought to be taxed by the United States."

He said it also appeared to be the latest in a string of actions targeting big U.S. companies.

"The pattern of actions certainly appears to be highly focused on U.S.

firms," Lew said. "The largest actions do appear to be aimed squarely at our tax base."

The decision sparked outrage in Congress with Sen. Charles Schumer, D-New York, calling it a "cheap money grab by the European Commission, targeting U.S. businesses and the U.S. tax base." House Ways and Means Chairman Kevin Brady, R-Texas, called the action a "predatory and naked tax grab" which he said underscored the need for congressional action.

Lew said that while the Obama administration has not succeeded in getting tax reform through Congress, it has made progress on the issue and "there is a growing bipartisan consensus on how to deal with tax reform in a way that will enable us to reach overseas income."

U.S.-based companies are taxed at a 35 percent corporate rate on their global profits but they get tax credits for payments to foreign governments and they don't pay the U.S. tax until they bring the money home. For that reason, U.S. companies have left an estimated $2 trillion in untaxed foreign profits overseas.

Congress has been debating for years how to deal with this growing stockpile but disputes between Democrats and Republicans over how to overhaul corporate taxes has stalled action.

Lew's comments came in an appearance at the Brookings Institution where he previewed President Barack Obama's goals at the Group of 20 major economic powers summit this weekend in Hangzhou, China.

Lew said Obama will use his last G-20 summit to urge other nations to do more to boost sluggish global growth while also addressing the needs of people who feel left behind by globalization.

"As we work to achieve strong, sustainable and balanced growth, the G-20 must also remain mindful of the need to redouble our focus on making sure the benefits of growth are broadly shared by all our citizens," Lew said.