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Wyden Outlines New Tax Policies to Hold Russia Accountable for Ukraine Invasion

Washington, D.C.— Senate Finance Committee Chair Ron Wyden, D-Ore., today released the following statement outlining tax policies he is developing to hold Russia accountable for its invasion of Ukraine:

"The Biden administration has taken strong steps to swiftly implement sanctions against Russia, but we must do more to impose a severe economic cost on Vladimir Putin and those providing him with resources to continue this unprovoked and increasingly brutal assault on Ukraine. We need a comprehensive response that turns up the financial pressure from every angle.

"Russian oligarchs and companies supporting Putin shouldn't be getting tax breaks in the United States. We should take away every special tax benefit for all sanctioned individuals, as well as give Secretary Yellen the authority to identify other individuals, companies, or governments supporting the invasion that should lose their tax goodies.

"In addition, the United States should not subsidize a single dollar of taxes paid to Russia, which will be used to fund this cruel war. If U.S. companies choose to keep paying taxes to Russia—taxes that are funding the bombing of hospitals for women and children—they should do it without a penny of help from American taxpayers. The Finance Committee is continuing to develop these and other proposals to hold Russia accountable for its bloody invasion."

A description of the policies Wyden is pursuing follows:

Elimination of tax benefits for certain Russians and Belarusians operating in the United States.

There are a number of tax provisions that provide benefits to foreign persons with income connected to the United States. For example, tax treaties provide lower withholding tax rates on payments such as dividends and interest.

Under Wyden's proposal, a number of these tax benefits would be eliminated for identified persons, subjecting any recipient to the full U.S. tax on the income, typically a 30 percent withholding tax on payments.

Individuals and entities listed by the Office of Financial Assets Control (OFAC) would initially lose their tax breaks, and the proposal gives the Treasury Secretary authority to list additional individuals and entities subject to this penalty, including the governments of Russia and Belarus. Providing the Treasury Secretary with authority to identify other individuals and entities creates a backstop that ensures those not subject to OFAC sanctions face financial penalties if appropriate.

Elimination of preferential GILTI rate on Russian and Belarusian income, and denial of foreign tax credits and deductions for taxes paid to Russia and Belarus.

If a U.S. corporation earns income and pays taxes to Russia or Belarus, they currently receive two significant tax benefits: the preferential GILTI tax rate of 10.5 percent, and a foreign tax credit (FTC) that offsets U.S. taxes dollar-for-dollar.

Section 901(j) of the tax code eliminates the lower GILTI rate and disallows FTCs for income earned in countries supporting terrorism or without diplomatic relations with the United States. These countries are currently Iran, North Korea, Syria, and Sudan.

Under Wyden's proposal, countries that are participating in, or materially supporting, the invasion of Ukraine, would be added to the list. While current law 901(j) delays application for six months once a country is listed, this would be reduced given the urgency of the war in Ukraine. The deduction for those taxes would also be denied ensuring American taxpayers are in no way subsidizing revenue received by Russia and Belarus.

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