



The Daily Dish

# Pillar 1, Pillar 2, and U.S. History

DOUGLAS HOLTZ-EAKIN | MAY 9, 2022

We all know the story. Colonists disguised as Mohawk Indians boarded three British tea ships moored in Boston Harbor and dumped 342 chests of tea into the harbor. The Boston Tea Party was to protest “taxation without representation” – the Tea Act of 1773. (The bill was actually designed to save the faltering East India Company by cutting its tea tax so others could not compete for the American tea trade.) Roll the clock forward and you get the Revolutionary War and U.S. Constitution. Considering the latter, Article I, Section 7 is pretty clear: “All Bills for raising Revenue shall originate in the House of Representatives; but the Senate may propose or concur with Amendments as on other Bills.”

So will someone explain the Organisation for Economic Co-Operation and Development (OECD), Pillar 1 and Pillar 2 to me?

Let’s review the history. France figures prominently as it advocated for a global minimum tax and, later, imposed on U.S. tech firms a Digital Services Tax (DST). Then-Secretary of the Treasury Mnuchin announces that the United States supports the minimum tax, which gains momentum with the arrival of the Biden Administration. (The left [supports](#) a global minimum tax because it is the theoretical solution to problems that have not arisen in the real world, because it thinks that the minimum tax would be consistent with U.S. tax policy, and because it supports big-spending governments.) Meanwhile, the United States attempts stave off DSTs across Europe by opening up the possibility that the United States would share the taxable income of all its largest, most successful firms with other governments. Enter the OECD which, in the aftermath of its project on Base Erosion and Profit Shifting ([BEPS](#)), is searching for a [mission](#).

Thus are born Pillar 1 (the sharing of the tax base of large, successful companies – mostly U.S. firms – for taxation across the globe) and Pillar 2 (the global minimum tax of 15 percent). There are lots of unsavory details to Pillage 1&2 – I mean Pillars 1&2. But in the same way we shield the general public from gruesome homicide scenes, we will leave those to the international tax lawyers. Focus instead on the bottom line.