Burger King, Inc. announced this week that it would acquire the Canadian restaurant chain Tim Hortons, Inc. Following the acquisition, Burger King will move its corporate headquarters to Ontario. The “inversion” will save an estimated $8 million per year in U.S. corporate taxes.

Burger King’s lead product is the Whopper. This oversized hamburger with a quarter pound patty has been very popular. Burger King now has more than 11 million customers per day and over 13,000 restaurants in 95 countries.

Burger King shareholders will receive 0.99 share of the new company and 0.01 share of a Canadian partnership for each share of common stock. Generally, shareholders may choose to receive partnership units rather than stock shares in the new company.

Alex Behring is Executive Chair of Burger King. He commented on the inversion, "While I know there has been a great deal of discussion in the media about the motivations for the transaction, I want to point out that it is a strategic transaction that is creating a new global leader in the sector and is not being driven by tax rates. We will continue to pay federal, state, and local taxes in the United States."

Congress is considering two bills to limit inversions. The Stop Corporate Inversions Act of 2014 (H.R. 4679) and No Federal Contracts for Corporate Deserters Act of 2014 (H.R. 5278) include a
50% limit for U.S. ownership after an inversion. However, both bills permit an exception for "substantial business activity" in a foreign country. Under that standard, the Burger King inversion might still qualify.

Sen. Dick Durbin (D-IL) opposed the inversion. He noted, “With every new corporate inversion, the tax burden increases on the rest of us to pay what these corporations don’t. That burden is made worse when these corporations profit off of all the public benefits that help American companies succeed and then run from their U.S. tax responsibility. I'm disappointed in Burger King's decision to renounce their American citizenship. I call on companies currently mulling this tax dodge to reconsider, and on Congress to protect U.S. taxpayers from more of these schemes.”

Congressional Budget Office Director Douglas Elmendorf also expressed concern. He stated, “Our projections of corporate tax receipts over the coming decade do incorporate some erosion of the corporate tax base through a variety of tax reduction strategies. One factor there would be corporate inversions.”