

# Stop Corporate Tax Dodging

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Program on Inequality and the Common Good



*Nearly 19,000 global corporations have a mail drop at Ugland House, a single building in the Cayman Islands. Ugland House is the legal address of these overseas corporate subsidiaries, many set up for the purposes of avoiding taxes.*

## KEY POINTS:

- **You Pay More Money In Taxes Than Many Well-Known U.S. Corporations.** The 10 bucks in your pocket is more than many of the largest U.S. corporations paid in U.S. taxes including: Bank of America, Verizon, General Electric, Boeing, and Citigroup. Other companies like Federal Express and ExxonMobil pay effective rates of less than 10 percent (even though the official corporate tax rate is 35%). These same companies pay their CEOs and top managers millions in salary and perks — and spend millions lobbying the U.S. Congress for preferential tax and regulatory treatment.
- **Corporate Tax Dodging Takes Money Out of the Pockets of the Middle Class and Hurts America.** Corporations use tax havens and loopholes to siphon money and jobs offshore — while not paying their fair share of taxes for infrastructure, public services and the investments that have historically built the US middle class, including K-12 and higher education.

- **We're Not Broke: Governments Are Cutting Budgets and Jobs When They Should Be Closing Corporate Tax Loopholes.** Irresponsible politicians have drained state and federal budgets by giving corporations huge tax breaks and allowing them to dodge taxes through overseas tax havens. Our elected leaders should plug up these corporate tax loopholes before they cry “broke.”
- **Making Corporate Tax Dodgers Pay Their Fair Share would Make Cuts to State Budgets Unnecessary.** States are facing the worst budget gaps in living memory. The Center on Budget and Policy Priorities estimates that the combined budget gaps in all U.S. states is over \$102 billion.<sup>1</sup> Meanwhile, closing overseas tax havens would generate an estimated \$100 billion! You do the math.
- **Corporate Tax Dodgers Hurt Domestic U.S. Businesses.** Tax havens punish responsible businesses that have to compete unfairly against tax dodgers. A domestic U.S. business that pays its taxes is at an unfair disadvantage with multi-corporations that game the system and shift profits to low or no tax havens. A new coalition has formed called “Business and Investors Against Tax Haven Abuse.”
- **Tax Havens Cost Us All.** When you combine tax avoidance by both wealthy individuals and multinational corporations, tax havens cost the Treasury as much as \$123 billion a year. Responsible businesses and individual taxpayers like us pick up the slack to pay for the services all of us use.
- **Corporate Tax Avoidance has Dramatically Increased over the Last Several Decades.** In the 1950s, almost a third of federal revenue came from corporate income taxes. By 2009, it had declined to 10 percent.<sup>2</sup> Corporations are paying less and middle class individuals are paying more.
- **The Largest Global Corporations are among the Worst Culprits.** Tax avoidance is a global problem. Corporations exploit gaps and loopholes in domestic and international tax law that allow them to shift profits from country to country, often to or via tax havens, with the intention of reducing their taxes. Lack of transparency and reporting allows this tax avoidance to occur on a huge scale.
- **Secrecy is a Problem!** Tax havens are not only ways to reduce or eliminate taxes, but also a means for criminals and lawless corporations to circumvent the law, using secrecy as their primary tool. This is why the Tax Justice Network prefers to refer to tax havens as “secrecy jurisdictions.”

## *WHAT DO WE WANT?*

We support the “Stop Tax Haven Abuse” law that would address a variety of abuses (about to be reintroduced in the 112th Congress). In addition, we support these reforms:

- **Country by Country Reporting.** Require global corporations to report sales made, profits earned and taxes paid in every jurisdiction where an entity operates.
- **Automatic Exchange of Tax Data** through international tax cooperation among governments. Require governments to collect data from financial institutions on income, gains, and property paid to non-resident individuals, corporations and trusts. Mandate that data collected automatically be provided to the governments where nonresident entity is located.
- **Require Disclosure of Beneficial Ownership** of all business entities, trusts, foundations and charities. Require this information be readily available on public record to facilitate effective due diligence; and explicitly require, and enforce, that financial institutions identify the ultimate beneficial owners or controllers of any company, trust or foundation seeking to open an account.

## *EXAMPLES OF CORPORATE TAX DODGERS*

**BANK OF AMERICA:** In 2009 and 2010, Bank of America didn't pay a single penny in federal income taxes, exploiting the tax code so as to avoid paying its fair share. They argue this is because they lost money. But we really don't know, thanks to over 115 subsidiaries in tax secrecy jurisdictions. There are 59 BoA subsidiaries in the Cayman Islands, 15 in Luxembourg, and 14 in Ireland. Bank of America received \$336 billion in government bailout funds (second only to Citigroup).<sup>3</sup> When it comes to paying their top managers and influencing elections and government, they don't hold back. Between 2007 and 2010, during the economic meltdown triggered in part by their reckless actions, Bank of America's PAC and employees donated \$5.184 million to federal campaigns. During these same years, they spent \$17.3 million lobbying the federal government.<sup>4</sup> Bank of America paid their CEO Thomas Montag \$29 million in 2009.

**BOEING CORPORATION:** Over the three year period from 2008 to 2010 had total pre-tax profits of \$9.7 billion but did not pay a dime of its profits in federal taxes. Boeing Corporation has 38 subsidiaries in foreign tax haven jurisdictions.<sup>5</sup> At the end of February 2011, the U.S. government granted Boeing a contract worth \$35 billion to build airplanes.<sup>6</sup>

**VERIZON:** Take out your Verizon phone bill. See the part of the bill where you paid taxes? \$2 dollars? Guess what? You paid more taxes on your phone bill than Verizon paid in 2009 and 2010 in federal U.S. corporate taxes. They reported \$24.2 billion in pre-tax U.S. income, and yet claimed a federal corporate refund of \$1.3 billion. The company has \$1.2 billion in unrepatriated foreign assets, money it is keeping offshore in order not to take tax reserves against it.

**FEDERAL EXPRESS:** Federal Express reported over \$1.9 billion in U.S. profits, but paid only \$1 million in federal corporate income taxes over the last 2 years, for an effective tax rate of .05 percent. While FedEx only paid \$1 million in taxes over 2 years, they spent nearly \$42 million lobbying Congress. They have 21 subsidiaries in tax havens including 3 in the Cayman Islands and 3 in Ireland.

**GENERAL ELECTRIC:** In General Electric, they consider their Accounting Department to be a “profit center,” working to avoid taxes. Between 2006 and 2010, General Electric told their shareholders they had \$26.3 billion in profits, but paid no U.S. taxes. In fact, they got \$4.2 billion in rebates, so their effective U.S. tax rate was negative 15.8 percent.<sup>7</sup> In 2009, General Electric — the world’s largest corporation — filed more than 7,000 tax returns and still paid nothing to U.S. government. In 2010, they reported \$5.07 billion in domestic pre-tax profits and paid just \$4 million in taxes. Their unpatriated taxes grew to \$94 billion. They managed to do this by a tax code that essentially subsidizes companies for losing profits and allows them to set up tax havens overseas. GE has subsidiaries in tax havens including 3 each in Bermuda and Singapore and 1 in Luxembourg. In 2009, GE CEO Jeffery Immelt earned total compensation of \$9.89 million. GE spent \$39 million lobbying the federal government in 2010 alone, and \$83 million since 2008.

**OCCIDENTIAL PETROLEUM:** In 2009, this oil giant paid their CEO Ray Irani \$31.4 million, about twice what they paid in federal corporate income taxes, which was \$16 million!

**CITIGROUP:** Citigroup has paid no taxes for the last four years. They were the largest recipient of federal bank bailout funds, receiving \$476 billion. Citigroup has a whopping 427 subsidiaries in tax havens including 90 in Cayman Islands, 91 in Luxemburg, 35 in British Virgin Islands, and 40 in Hong Kong. Citigroup has continued to pay its staff lavishly. “John Havens, the head of Citigroup’s investment bank, will probably be the bank’s highest paid executive for the second year in a row, with a compensation package worth \$9.5 million.”

**EXXON-MOBIL:** The oil giant uses offshore subsidiaries and other loopholes to avoid paying taxes in the United States. They have 32 subsidiaries in tax haven countries including 18 in the Bahamas and 3 in the Cayman

Islands. Although Exxon-Mobil paid \$15 billion in taxes to other governments in 2009, not a penny of those taxes went to the U.S. Treasury. So maybe those other countries should defend ExxonMobil's assets around the world, instead of the men and women of the U.S. armed forces. Next time the pirates take over your oil tanker, call the Bahamas! ExxonMobil did come up with \$68 million to lobby Congress between 2008 and 2010.

**WELLS FARGO:** Despite being the fourth largest bank in the country, Wells Fargo was able to escape paying federal taxes by writing all of its losses off after its acquisition of Wachovia. Yet in 2009 the chief executive of Wells Fargo also saw his compensation “more than double” as he earned “a salary of \$5.6 million paid in cash and stock and stock awards of more than \$13 million.”

**NEWS CORPORATION:** The media giant that owns Fox News avoids taxes through its 152 subsidiaries in tax havens, including 62 in British Virgin Islands, 33 in Cayman Islands, 21 in Hong Kong, and 15 in Mauritius.

**PFIZER:** Without intellectual property and patent protections, Pfizer's patents for products like Viagra would be easily replicated and produced for a fraction of the cost. They depend on the US court system to defend their property. Yet Pfizer shelters a lot of this intellectual property offshore, with 80 subsidiaries in tax havens, including 28 in Ireland, 16 in Luxembourg, 10 on the island of Jersey.

## *Resources on Corporate Tax Dodging*

### **ORGANIZATIONS**

Business & Investors Against Tax Haven Abuse [www.businessagainsttaxhavens.org](http://www.businessagainsttaxhavens.org)

Citizens for Tax Justice <http://www.ctj.org>

Global Financial Integrity <http://www.gfip.org/>

Global Witness [www.globalwitness.org](http://www.globalwitness.org)

Institute for Policy Studies [www.ips-dc.org/inequality](http://www.ips-dc.org/inequality)

Tax Justice Network [www.taxjustice.net](http://www.taxjustice.net)

US PIRG [www.uspirg.org](http://www.uspirg.org)

US UNCUT [www.usuncut.org](http://www.usuncut.org)

## RESEARCH

Business & Investors Against Tax Haven Abuse: “Unfair Advantage: The Business Case Against Tax Havens,” (July 2010) <http://businessagainsttaxhavens.org/wp-content/uploads/2010/07/TaxHaven.pdf>

Global Financial Integrity: The Implied Tax Revenue Loss from Trade Mispricing  
[http://www.gfip.org/storage/gfip/documents/reports/implied%20tax%20revenue%20loss%20report\\_final.pdf](http://www.gfip.org/storage/gfip/documents/reports/implied%20tax%20revenue%20loss%20report_final.pdf)

Government Accountability Office: Large U.S. Corporations and Federal Contractors with Subsidiaries in Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions (December 2008)  
<http://www.gao.gov/new.items/d09157.pdf>

US PIRG: Tax Shell Game: What do Tax Dodgers Cost You? (April 2010)  
[http://cdn.publicinterestnetwork.org/assets/bc2b6e2b0a22863c17b639ce1797166c/USP-Tax-Shell-Game-2010\\_Final.pdf](http://cdn.publicinterestnetwork.org/assets/bc2b6e2b0a22863c17b639ce1797166c/USP-Tax-Shell-Game-2010_Final.pdf)

Permanent Subcommittee on Investigations, Staff Report on Tax Haven Banks and U.S. Tax Compliance, July 17, 2008.

A Full Glossary on Secrecy and Tax Avoidance - Searchable  
<http://www.secrecyjurisdictions.com/glossary/onlineglossary>

## *Endnotes*

- 1 Center on Budget and Policy Priorities, Governors’ 2011 Budgets propose New Route of Cuts, January 28, 2011.
- 2 Six Tests for Corporate Tax Reform, by Chuck Marr and Brian Highsmith, Center and Budget and Policy Priorities, February 28, 2011, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3411>
- 3 Final Report of the Congressional Oversight Panel for the Troubled Asset Relief Proram, March 16, 2011, <http://cop.senate.gov/reports/library/report-031611-cop.cfm>
- 4 Data compiled by Public Campaign using data found at the nonpartisan Center for Responsive Politics [www.opensecrets.org](http://www.opensecrets.org)
- 5 Information about number of tax havens comes from the Government Accountability Office’s report, “International Taxation: Large U.S. Corporations and Federal Contractors with Subsidiaries in Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions,” December 2008. GAO-9-157.
- 6 Citizens for Tax Justice, “Boeing’s Reward for Paying No Federal Taxes Over the Last Three Years? A \$35 Billion Federal Contract,” <http://www.ctj.org/pdf/boeing0211.pdf>
- 7 Congressional Testimony by Robert McIntyre, March 9, 2011. [http://ctj.org/ctjreports/2011/03/ctj\\_director\\_robert\\_mcintyres\\_testimony\\_on\\_business\\_tax\\_subsidies.php](http://ctj.org/ctjreports/2011/03/ctj_director_robert_mcintyres_testimony_on_business_tax_subsidies.php)