



# AMERICA LOSES

**Corporations That Take "TAX HOLIDAYS" Slash Jobs**



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**Cover Note:** The building pictured on the cover is of Uglan House located in the Cayman Islands. The five-story structure is home to almost 19,000 international corporations.

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## Executive Summary

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Congress is poised to pass legislation granting a "tax holiday" for hundreds of U.S. corporations. Some of these companies are aggressively lobbying to "repatriate" over \$1 trillion in profits U.S. corporations have parked offshore at significantly lower tax rates. They have stashed some of these profits they aim to bring stateside at subsidiaries in tax haven countries such as Luxembourg, Ireland, and the Cayman Islands.

A coalition of large companies, called Working to Invest Now in America (WIN America), has spent more than \$50 million to win this special tax break, which could potentially cost U.S. taxpayers over \$78 billion in lost revenue, according to the Congressional Joint Committee on Taxation.<sup>1</sup> Their corporate lobbyists argue that this repatriation will lead to increased U.S. investment and job creation.

A similar tax holiday in 2004 enabled 843 companies to reduce their tax rate from 35 percent to just over 5 percent. These companies repatriated \$312 billion in profits – and avoided an estimated \$92 billion in federal taxes. What did we get for this \$92 billion subsidy? Not much. Previous research indicated that this measure, ironically called the "American Job Creation Act of 2004," produced minimal economic benefits for U.S. workers and communities — along with many costs.

This study of corporate beneficiaries of the 2004 tax holiday reveals that these companies not only failed to create long-term, stable jobs, but were huge job destroyers.

### *Key findings:*

- **U.S. taxpayers provided a huge subsidy to corporations that destroyed jobs.** Following a tax holiday on repatriated foreign earnings in 2004, 58 corporations that benefitted from the holiday slashed a total of nearly 600,000 jobs. These 58 giant corporations accounted for nearly 70 percent of the total repatriated funds and collectively saved an estimated \$64 billion from what they otherwise would have owed in taxes.<sup>2</sup>
- **These companies have huge cash reserves.** Despite claims that repatriation of off-shore earnings is needed to create U.S. jobs, these 58 firms are collectively sitting on more than \$450 billion in cash, money that could be invested in job creation tomorrow, if these corporations wished to do that.
- **Tax holidays encourage aggressive profit shifting.** The shifting of profits offshore has accelerated dramatically since the 2004 tax holiday, suggesting that firms are counting on repeated tax holidays. A year after the 2004 tax holiday, job-destroying corporations had \$229 billion in untaxed offshore profits. By 2010, this amount had soared to \$696 billion, a 204 percent increase over five years.
- **Expanding off-shore tax avoidance.** Some offshore profits stem from legitimate business operations overseas. But a substantial

share of these offshore profits come from accounting acrobatics that shift profits generated from sales in the United States to foreign tax havens where corporations face little or no income tax.

## *Recommendations:*

- **Congress should not make the same mistake again.** If Congress votes another "one-time" tax holiday on repatriated offshore earnings, on the same terms as the 2004 tax holiday, the firms that have eliminated nearly 600,000 jobs since the last holiday could reap as much as \$200 billion in savings over the taxes they otherwise would have to pay under current tax rules.
- **Corporations should report U.S. employment information.** No U.S. corporation should be eligible for any tax relief that promises job creation unless they first publicly disclose their U.S. employment numbers. Corporations have increasingly obscured information about the number of people they employ in the United States. Currently, the government does not require firms to distinguish between U.S. and overseas jobs in their public reports, and hence we do not know precisely how many of the nearly 600,000 jobs destroyed by those 58 firms were in the United States. There should be uniform disclosure of U.S. hiring and lay-off information in order for policymakers, journalists, and the general public to make informed decisions about allocations of government subsidies and tax benefits aimed at stimulating U.S. job creation.
- **Fix the root cause of the problem: aggressive offshore profit shifting.** Rather than rewarding corporations that have avoided U.S. taxes by shifting profits offshore with expensive new tax cuts, Congress should instead pass the Stop Tax Havens Abuse Act. This measure would stem the tax avoidance that occurs when corporations shift profits from sales to American consumers through overseas shell subsidiaries that amount to little more than a post office box and a brass name plate. Passing the Stop Tax Haven Abuse Act would raise an additional \$100 billion annually and curtail the epidemic of transfer pricing abuse among U.S. multinational corporations.
- **Invest in "built to last" companies, not "built to loot" companies.** A tax holiday for job destroyers is not only a waste of taxpayer money at a time of urgent needs and budget shortfalls, but it hurts America's "Built to Last" domestic companies and small businesses that must compete on an unlevel playing field against "Built to Loot" global companies. There are many things that we can do to strengthen the U.S. economy and create and protect jobs. But providing subsidies to global companies whose principal business model is to minimize labor costs, send profits offshore, and dodge taxes is not a good strategy. These companies may compensate their CEOs lavishly and deliver value to shareholders, but they are not in the business of creating jobs.

# Introduction

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There is a dangerous myth at the center of the jobs debate that rages across our country: Corporate tax cuts create jobs.

With 25 million Americans looking for full-time work, and nearly one in six Americans relying on federal food assistance,<sup>3</sup> some of America's most flush corporations are demanding a "one-time" corporate tax holiday on their more than \$1.4 trillion in profits now sitting offshore.

Bringing this enormous cash stash back home, some of the corporations argue, will stimulate the economy more cost-effectively than President Barack Obama's more direct approach to job creation. "Repatriation," the argument continues, will free up billions upon billions of dollars that are "trapped" overseas by excessive federal tax rates.

Do corporate advocates for repatriating overseas profits have a legitimate case? Not anymore. The federal government has already gone the "tax holiday" route — in 2004 — with disastrous results.

Congressional advocates for that 2004 "one-time" holiday made the same arguments that repatriators are making today. They promised that the tax holiday would create jobs. In fact, they even named their holiday legislation the "American Job Creation Act of 2004." But their holiday didn't just fail to create the promised jobs. Their holiday enriched corporations that actually destroyed jobs in the months right after they received their tax windfall.

One government study looking at the first two years after the repatriation windfall found that 12 of the top recipients laid off more than 67,000 American workers.<sup>4</sup> These firms collectively brought back home more than \$100 billion, nearly a third of the total amount repatriated by all firms that took advantage of the tax holiday. Collectively, these early job killers pocketed an estimated \$32 billion in savings from taxes they otherwise would have had to pay.<sup>5</sup>

A review of U.S. employment data filed with the Securities and Exchange Committee found that 13 firms profiled in this report cut their U.S. workforces by 60,701 jobs in the two years following the 2004 tax holiday (2004-2006). The 13 companies are YUM Brands, General Electric, International Paper, Eastman Kodak, Kraft, Honeywell, Intel, Eli Lilly, Starwood Hotels, Praxair, Lexmark International, Hasbro and Boston Scientific.

But this wave of job destruction soon after the 2004 tax holiday went into effect, reported fairly widely at the time, does not tell the entire story. Dozens of major U.S. corporations that benefited lavishly from the 2004 tax holiday, not just the early job destroyers, have downsized significantly in the years since. Their story deserves telling — but certainly not repeating with the passage of still another "one-time" corporate tax holiday.

# Methodology

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As noted above, there has been some study of the immediate impact of the 2004 tax holiday on jobs. This report examines the longer-term job creation or destruction by those companies that took advantage of the 2004 tax holiday. We believe the proper goal of tax cuts that promise job growth ought to be creating jobs that last.

Discerning the employment picture at any multinational corporation is challenging. Not only is the situation fluid, but recent changes in disclosure trends among large corporations have made it particularly difficult to understand changes in the U.S. workforces of the companies studied. For each of the firms in this study, we began by reviewing their 2004 and 2010 10-K annual reports filed with the Securities and Exchange Commission. Twenty-three of the 58 companies studied broke out information about their U.S. workforce.

We next looked at lists of layoffs compiled by Forbes.com and the widely recognized consulting firm Challenger, Gray and Christmas, as well as media coverage of large-scale corporate layoffs. We report the number of layoffs for each of the firms in this study. We recognize that layoffs represent just one component of the job picture and hope that some of the firms that failed to disclose U.S. employment information in their 10-K will disclose their employment numbers and paint a fuller picture for the general public. We strongly believe that no U.S. corporation should be eligible for any tax relief that promises job creation unless they first publicly disclose their U.S. employment numbers.

Throughout this report we estimate the tax savings as the difference between repatriating foreign profits at the 35 percent statutory rate and the proposed 5.25 percent tax holiday rate. Actual tax savings will depend on how much foreign profits are repatriated and the amount of foreign tax credit the company has available to offset the U.S. tax. With sufficient foreign tax credits, the effective U.S. tax rate on repatriated funds could easily have been zero.

Additional details on our methodology and sources can be found in Appendix 4 at the end of this report.



# Findings

To help answer the question of whether the 2004 tax holiday fulfilled its promise of leading to job creation, this study looks at three sets of companies:

1. The 58 companies that participated in the 2004 tax holiday and have since then publicly announced large-scale employee layoffs. We also looked at these firms' global employment picture.
2. The 23 companies that took advantage of the 2004 tax holiday, publicly reported layoffs, and that break out their U.S. employment numbers in reports to the Securities and Exchange Commission.
3. The 18 U.S. corporations leading the 2011 charge for another corporate tax holiday through the "WIN America" coalition.

Top 10 Layoff Leaders			
2004 tax holiday beneficiary	Amount repatriated, 2004-2005 (\$millions)	Offshore funds, 2010 (\$millions)	Announced layoffs, 2004-2011
Citigroup	3,200	32,100	73,056
Hewlett-Packard	14,500	21,900	71,040
Bank of America	899	17,900	65,000
Pfizer	40,100	48,200	58,071
Merck	25,300	40,400	44,400
Verizon	2,200	1,200	39,000
Ford	900	812	34,700
Caterpillar	500	11,000	27,499
Dow Chemical	2,471	9,798	17,530
DuPont	9,100	12,631	17,000
<b>Totals</b>	<b>99,170</b>	<b>195,941</b>	<b>447,296</b>

## 1. 2004 Tax Holiday Beneficiaries That Have Announced Job Cuts

**FIFTY-EIGHT FINANCIALLY PROSPEROUS FIRMS TOOK A \$217.8 BILLION TAX HOLIDAY, THEN SENT 591,266 WORKERS ON A PERMANENT VACATION (SEE DETAILS IN APPENDIX 1)**

Of the top 10 companies in terms of announced layoffs, two are banks that received massive bailouts – Citigroup and Bank of America. The others are dominated by manufacturing and pharmaceutical firms: Hewlett-Packard, Pfizer, Merck, Verizon, Ford, Caterpillar, Dow Chemical, and DuPont.

While downsizing announcements typically do not break down the job cuts by country, given off-

shoring trends, it is reasonable to assume that in most instances job reductions disproportionately affect U.S. employees.

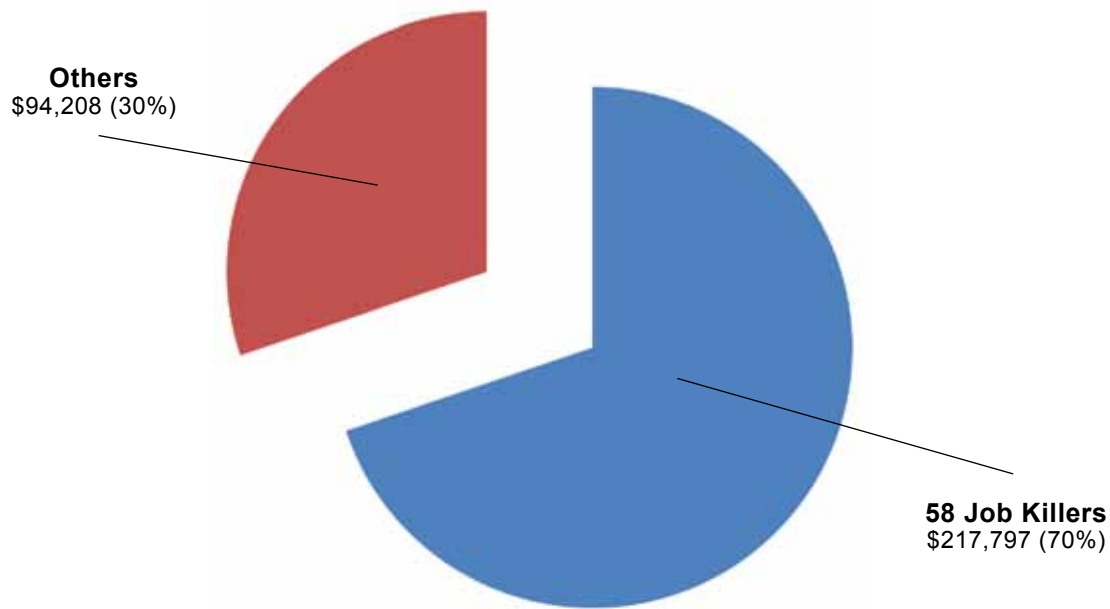
**OF THE 58 CORPORATIONS REPORTING LAYOFFS, 27 ALSO REPORT REDUCTIONS IN THEIR GLOBAL WORKFORCE SINCE 2004**

While relatively few corporations break out their U.S. employment number, all U.S. corporations are required to disclose the number of people they employ globally.

- Collectively, these 58 firms increased their global employment by 188,857 jobs. However these job gains are explained by significant global hiring by just two firms, YUM Brands, and IBM, which collectively added 219,750 workers to their payroll. Without

Top 10 Global Job Killers			
2004 tax holiday beneficiary	Global employees - 2004	Global employees - 2010	Decline in global employees, 2004-2010
Ford	293,466	164,000	-129,466
Pfizer	162,426	110,600	-51,826
Eastman Kodak	54,800	18,800	-36,000
International Paper	94,300	59,500	-34,800
Masco	62,000	32,500	-29,500
Citi	287,000	260,000	-27,000
Weyerhaeuser	39,300	14,250	-25,050
General Electric	307,000	287,000	-20,000
Verizon	210,000	194,400	-15,600
Textron	44,000	32,000	-12,000
<b>Totals</b>	<b>1,554,292</b>	<b>1,173,050</b>	<b>-381,242</b>

## Job Killers' Share of 2004 Tax Holiday Benefits (in \$millions)



these two, the remaining 56 firms collectively cut 21,493 jobs globally.

- Though offshoring of U.S. jobs is a serious problem, the global hiring patterns of those firms that benefitted from the 2004 tax holiday indicate that many of them have been net job destroyers both at home and abroad.
- The 58 companies collectively repatriated \$217.8 billion in profits, enjoying about 70 percent of the total tax relief granted by the 2004 tax holiday. Paying corporate income taxes at a 5.25 percent rate rather than a 35 percent saved these firms an estimated \$64 billion.<sup>6</sup>

One would assume that all global companies suffered huge financial losses as a result of the 2008 economic meltdown. But the vast majority of the 58 tax-cut craving, job-killing companies we have identified in this report have thrived during the economic downturn.<sup>7</sup> From 2008 through 2010, they collectively reported \$628 billion in global pre-tax income. Only eight of the 58 corporations reported losses over this three-year period, and just 15 of the 58 reported losses in any single year from 2008 through 2010.

Collectively, these 58 firms are holding more than \$456 billion (see Appendix 1) in cash as of their most recent quarterly reports to shareholders.<sup>8</sup> This is more than enough to begin hiring U.S. employees tomorrow. Even if some of this cash is offshore, these cor-

porations could easily borrow against it and pay far less than 5.25 percent in interest, suggesting that their real intent is neither domestic investment nor job creation, but rather simply reaping a giant tax windfall.

These corporations have worked hard to create the sense that U.S. tax laws have complicated their ability to compete in the global marketplace. In reality, these companies are thriving financially, even while many of their workers are not.

President Obama says he carefully considered proposing a second “one-time” corporate tax holiday as a part of his jobs package, but rejected this option because other options create far more effective economic stimulus. Earlier studies of the 2004 tax holiday have indeed shown precious little stimulative effect. Up to 92 cents of every dollar repatriated, this research has documented, ended up redeployed not into jobs, but into the pockets of executives and shareholders through bloated compensation packages, stock buybacks and bigger dividends.<sup>9</sup>

Our analysis goes further. The companies that benefitted the most from the 2004 tax holiday, our research shows, “stimulated” only longer waits in U.S. unemployment offices.

## *2. 2004 Tax Holiday Beneficiaries that Report U.S. Employment Numbers*

**TWENTY-THREE COMPANIES  
DESTROYED 206,810 AMERICAN  
JOBS (SEE DETAILS IN APPENDIX 2)**

As mentioned earlier in the report, corporate disclosure of U.S. employment numbers is decreasing. Of companies benefiting from the 2004 tax holiday with publicly reported layoffs since 2004, only 23 report their U.S. employment data in the 10-K annual report filed with the SEC.

- Eighteen of the 23 firms reporting data on U.S. employment reduced their U.S. workforce between 2004 and 2010. Together, the 23 companies’ U.S. workforces declined by more than 206,000 jobs. The five companies that increased U.S. employment collectively added 28,698 American jobs.
- One noteworthy example is General Electric, which cut its U.S. workforce by 32,000 between 2004 and 2010. General Electric repatriated \$1.2 billion in 2004, but today has more than \$94 billion stashed offshore, the highest amount of any U.S. company. If GE were to repatriate the entire sum at the proposed rate of 5.25 percent, it alone would save an estimated \$28 billion from the proposed tax holiday. Despite GE’s massive destruction of American workers’ jobs, General Electric’s CEO Jeffrey Immelt remains chair of President Obama’s Jobs

Council. According to AP's online executive compensation surveys, Immelt's total compensation over the last five years was \$56 million, or more than \$1,700 for every U.S. job General Electric eliminated.

### *3. WIN America Coalition Leaders*

#### **TAX HOLIDAY PROPONENTS HAVE DELIVERED LOSSES TO AMERICAN WORKERS (SEE DETAILS IN APPENDIX 3)**

At a moment in U.S. history when the public and members of Congress are searching for new revenue streams that could be invested in ways that help create jobs in this country, a coalition of firms has launched a campaign for a massive tax holiday on overseas corporate profits. The WIN America campaign was formed earlier this year to aggressively lobby for a second tax holiday on repatriated offshore funds. WIN America has invested \$50 million in lobbying Congress for hundreds of billions of dollars of tax breaks that would flow from a tax holiday. They have hired 42 former congressional staffers who worked for the House Ways and Means Committee or the Senate Finance Committee, the two legislative bodies that write the nation's tax rules.<sup>10</sup> WIN America is made up of 18 publicly traded corporations and 24 trade associations, including the U.S. Chamber of Commerce.<sup>11</sup>

Fifteen of the eighteen corporations leading the charge for a massive tax holiday on offshore funds under the moniker "WIN America" repatriated a total of \$55 billion after the 2004 tax holiday.<sup>12</sup> Among WIN America's supporters, only one, Brocade Communica-

tions, has not announced job cuts since then.<sup>13</sup> One additional firm, Devon Energy, had only minimal layoffs related to an office closing.

- Three of the five firms that disclose their U.S. employment levels reported layoffs, led by Eastman Kodak, which destroyed the jobs of 19,600 U.S. workers after repatriating \$580 million in 2005.
- Seven of the 18 companies have cut their global workforce, a pretty solid indication that their U.S. workforces have also been reduced.
- Of these, Pfizer cut more than 51,000 workers globally. Pfizer was the leading beneficiary of the 2004 tax holiday, bringing \$40 billion in foreign funds back to the United States.<sup>14</sup> Pfizer has been one of the most aggressive members of WIN America, and was the online advertising sponsor of a recent 60 Minutes segment that made a strong case for the repatriation effort.
- Duke Energy, another leader of WIN America, has cut more than 10,000 jobs, according to SEC filings.<sup>15</sup> Because Duke operates electric utilities and many of these job cuts pertain to downsizing following mergers, most of these 10,000 lost jobs followed the company's 2006 merger with Cinergy, and have been in the United States. Last March, in a very unusual move, Duke Energy guaranteed a \$10 million line of credit secured by the Democratic National Committee to fund its 2012 convention in North Carolina.<sup>16</sup> The following month,

North Carolina's Democratic Governor Bev Purdue wrote to President Obama encouraging his support of a tax holiday.<sup>17</sup> Three months after Duke's deal with the DNC, North Carolina's Democratic Senator Kay Hagan addressed a large Washington, DC media event announcing her support for repatriation and later announced she was considering authoring a bill that would provide significant tax relief to Duke Energy and other corporations.<sup>18</sup>

- The offshoring of capital has soared at the 18 WIN America corporations. Collectively they had \$54 billion in offshore funds following the 2004 repatriation; today they have \$205 billion, a whopping 279 percent increase. Collectively these 18 corporations stand to save an estimated \$61 billion if they pay a tax rate of 5.25 percent, rather than the 35 percent they would otherwise owe.

**Top 15 Foreign Holdings of U.S. Corporate Assets  
Include Eight Tax Haven Countries  
(Equities and Corporate Debt, as of June 30, 2010)<sup>20</sup>**

1	United Kingdom	\$716 billion
<b>2</b>	<b>Cayman Islands</b>	<b>\$675 billion</b>
<b>3</b>	<b>Luxembourg</b>	<b>\$556 billion</b>
4	Japan	\$423 billion
5	Canada	\$390 billion
<b>6</b>	<b>Ireland</b>	<b>\$306 billion</b>
7	Switzerland	\$296 billion
<b>8</b>	<b>Netherlands</b>	<b>\$214 billion</b>
9	France	\$176 billion
<b>10</b>	<b>Bermuda</b>	<b>\$164 billion</b>
11	China	\$143 billion
<b>12</b>	<b>Hong Kong</b>	<b>\$137 billion</b>
13	Germany	\$130 billion
<b>14</b>	<b>Singapore</b>	<b>\$126 billion</b>
15	Norway	\$116 billion

Bold type indicates tax haven country, according to U.S. Government Accountability Office definition.<sup>21</sup>

## Pharmaceutical Firms are Prime Examples of the Tax Break-Layoff Nexus

Pharmaceutical corporations benefited more from the 2004 tax holiday on repatriated earnings than those in any other industry. Big Pharma brought back over \$100 billion in offshore earnings, pocketing an estimated \$30 billion in tax savings in the process. Pharmaceutical giants accounted for six of the top ten tax holiday beneficiaries.

Pharmaceutical industry job destruction has contributed significantly to U.S. unemployment. Over the last decade, drug companies have slashed nearly 300,000 jobs, 119,000 since the start of 2008.<sup>19</sup> These job cuts disproportionately impacted workers in the United States.

Drug companies — and many other companies as well, especially in the technology sector — don’t just *make* profits overseas. They *shift* profits overseas. The process has become lucratively routine. One example: A U.S.-based corporation begins the process by having a foreign subsidiary register its patents in countries like Luxembourg that do not tax income from intellectual property. The subsidiary then charges its U.S. counterpart a high price for use of the patents. These high royalty fees, coupled with the costs of research, marketing, and management, allow the U.S. operation to report to the IRS an artificially small profit — or even no profit at all. With no appreciable profit to report, the U.S. operation has no appreciable corporate income tax to pay. The company’s actual profits sit undisturbed with the overseas subsidiary.

This aggressive and chronic profit-shifting to tax havens allows U.S.-based companies to avoid U.S. corporate income taxes and has turned tax haven nations into a colossal repository of U.S. corporate assets.

# Appendix 1: 2004 Tax Holiday Beneficiaries that Have Announced Layoffs

Company, ranked by announced layoffs	Amount repatriated, 2004-2005 (\$millions)	Offshore funds, 2010 (\$millions)	Announced layoffs, 2004-2011	Change in global employment, 2004-2010 (from 10-K)	Total pre-tax global profits for the three-year period 2008-2010 (\$millions)	Cash available (\$millions, from most recent quarterly report as of 9/21/11)
<b>Citigroup</b>	3,200	32,100	73,056	-27,000	-46,970	27,766
<b>Hewlett-Packard</b>	14,500	21,900	71,040	24,330	30,862	12,953
<b>Bank of America</b>	899	17,900	65,000	-2,542	7,465	104,781
<b>Pfizer</b>	40,100	48,200	58,071	-51,826	29,943	3,096
<b>Merck</b>	25,300	40,400	44,400	500	26,874	12,342
<b>Verizon</b>	2,200	1,200	39,000	-15,600	27,847	6,240
<b>Ford</b>	900	812	34,700	-129,466	-5,147	17,472
<b>Caterpillar</b>	500	11,000	27,499	27,570	8,820	10,715
<b>Dow Chemical</b>	2,471	9,798	17,530	6,702	3,651	2,223
<b>DuPont</b>	9,100	12,631	17,000	0	8,286	2,268
<b>Emerson Electric</b>	1,400	5,200	14,200	13,500	8,974	1,781
<b>Boeing</b>	426	60	13,134	1,500	10,233	5,050
<b>Johnson &amp; Johnson</b>	10,800	37,000	9,900	-7,900	49,631	14,974
<b>Cisco Systems</b>	1,200	44,800	8,500	25,760	27,363	6,635
<b>IBM</b>	9,500	31,100	8,400	97,750	54,576	11,714
<b>Microsoft</b>	780	44,800	5,800	29,000	72,905	9,610
<b>Eaton</b>	66	6,000	5,609	15,000	2,479	282
<b>Eli Lilly</b>	8,000	19,900	5,500	-6,150	10,575	6,114
<b>Intel</b>	6,200	11,800	5,000	-2,500	29,435	4,635
<b>Bristol-Myers</b>	9,000	16,400	4,613	-9,500	16,449	3,665
<b>Eastman Kodak</b>	580	2,398	4,500	-36,000	-1,552	957
<b>Textron</b>	434	329	4,200	-12,000	566	931
<b>Colgate Palmolive</b>	800	2,900	4,000	3,200	9,973	739



*America Loses: Corporations that Take "Tax Holidays" Slash Jobs*

<b>Company, ranked by announced layoffs</b>	<b>Amount repatriated, 2004-2005 (\$millions)</b>	<b>Offshore funds, 2010 (\$millions)</b>	<b>Announced layoffs, 2004-2011</b>	<b>Change in global employment, 2004-2010 (from 10-K)</b>	<b>Total pre-tax global profits for the three- year period 2008-2010 (\$millions)</b>	<b>Cash available (\$millions, from most recent quarterly report as of 9/21/11)</b>
<b>Motorola</b>	4,600	1,300	4,000	2,000	-7,010	5,229
<b>Medtronic</b>	934	14,912	3,900	12,000	10,132	1,393
<b>3M</b>	1,800	5,600	3,700	12,986	15,495	3,376
<b>General Electric</b>	1,200	94,000	3,568	-20,000	43,973	91,053
<b>Texas Instruments</b>	1,290	3,440	3,400	-7,060	9,049	4,501
<b>Boston Scientific</b>	2,546	9,193	2,700	-4,350	-4,402	154
<b>PPG Industries</b>	114	2,465	2,610	6,500	2,820	982
<b>EMC</b>	3,000	5,100	2,400	25,800	5,583	3,896
<b>Honeywell</b>	2,200	6,000	2,265	21,000	5,492	3,548
<b>International Paper</b>	2,100	4,300	2,050	-34,800	868	2,399
<b>Morgan Stanley</b>	4,000	5,100	2,000	9,258	6,445	8,812
<b>Dell</b>	4,100	12,300	1,665	25,100	8,698	14,623
<b>Praxair</b>	1,100	5,900	1,600	-739	5,091	80
<b>National Semiconductor</b>	500	430	1,400	-2,800	785	1,093
<b>Adobe</b>	500	1,900	1,280	5,975	2,723	827
<b>Black &amp; Decker</b>	888	acquired 2010	1,200	-6,300	acquired 2010	acquired 2010
<b>Air Products &amp; Chem</b>	165	3,443	1,150	-1,900	3,710	430
<b>Altria</b>	6,000	0	1,100	19,600	15,389	2,064
<b>HJ Heinz</b>	588	4,400	1,065	-6,200	3,984	678
<b>CA Technologies</b>	584	685	1,000	-1,900	3,410	2,761
<b>Mattel</b>	2,400	3,900	1,000	6,000	1,995	418
<b>Lexmark</b>	684	1,479	825	-200	895	456
<b>Weyerhaeuser</b>	1,100	22	814	-25,050	-3,555	881
<b>Masco</b>	500	60	600	-29,500	-1,121	1,611
<b>Oracle</b>	5,100	16,100	500	29,128	27,488	11,864
<b>Starwood Hotels</b>	550	2,300	500	25,000	360	999

Company, ranked by announced layoffs	Amount repatriated, 2004-2005 (\$millions)	Offshore funds, 2010 (\$millions)	Announced layoffs, 2004-2011	Change in global employment, 2004-2010 (from 10-K)	Total pre-tax global profits for the three-year period 2008-2010 (\$millions)	Cash available (\$millions, from most recent quarterly report as of 9/21/11)
<b>Proctor &amp; Gamble</b>	7,200	35,000	410	19,000	44,649	2,768
<b>Merrill Lynch</b>	1,800	acquired 2009	400	13,600	acquired 2009	14,746
<b>Pepsico</b>	7,500	26,600	287	7,400	23,356	2,913
<b>Hasbro</b>	547	1,130	275	-200	1,479	585
<b>Hess</b>	1,900	4,500	270	2,681	9,530	2,194
<b>Brown-Forman</b>	277	390	250	-2,200	2,141	553
<b>Cadence Design Systems</b>	500	133	225	-300	-1,834	665
<b>Johnson Controls</b>	674	4,500	205	23,000	2,769	335
<b>Yum Brands</b>	500	1,300	several hundred	122,000	4,281	955
<b>Total</b>	<b>217,797</b>	<b>696,510</b>	<b>591,266</b>	<b>188,857</b>	<b>627,906</b>	<b>456,785</b>

## Notes:

On repatriation amounts: repatriation totals were adjusted for corporate mergers as follows: Acquiring Company (Acquired Company, Repatriation Amount in \$millions Added to Acquiring Company): Pfizer (Wyeth, \$3,100); Merck (Schering Plough, \$9,400); Boston Scientific (Guidant, \$1,500); and Oracle (Sun Microsystems, \$2,000).

On 2004 employment numbers: employees acquired via significant mergers or employees transferred as a result of significant divestitures were made at the following companies and explained as: Acquired/Parent Co (Acquired/Disposed of Firm, Year, Employees Acquired or Shed): Pfizer (acquired Wyeth, 2009, 47,426); Merck (acquired Schering Plough, 2009, 30,500); Hewlett-Packard (acquired Electronic Data Systems, 2008, 139,500; acquired 3Com, 2010, 5,868; acquired Mercury Interactive, 2006, 2,854; acquired Palm Inc, 2010, 939; acquired 3Par, 2010, 657; acquired Opsware, 2007, 452); Bristol Myers (spun off Mead Johnson Nutrition, 2009, shed 6,500); Oracle (acquired Sun Microsystems, 2010, 29,000); Dell (acquired Perot Systems, 2009, 23,000); International Paper (acquired Weyerhaeuser's packaging business, 2008, 14,300); Weyerhaeuser (sold packaging business to International Paper, 2008, shed 14,300); Bank of America (acquired Merrill Lynch, 2009, 64,200; acquired Countrywide Financial, 2008, 50,600); Boston Scientific (sold neurovascular business to Stryker, 2011, shed 1,150; acquired Guidant, 2009, 13,000 )

To avoid double counting, Bank of America cash levels were adjusted downward by \$14.7 billion held by Merrill Lynch and reported separately in this table.

Starwood Hotels has disclosed that since 2006 it sold 62 hotels, but did not disclose the number of employees affected by these transactions. These transactions accounted for some of the layoffs noted.

IBM's 10-K disclosures on employment report that the company's U.S. workforce declined from 127,000 in 2006 to 115,000 in 2008, the last year when IBM broke out information on its U.S. workforce. During the same period, IBM reported that it added more than 38,000 jobs in India, a part of a general investment focus on the BRIC nations (Brazil, Russia, India and China).

Altria was the majority owner of Kraft Foods between 2004 and 2007. During that time Kraft shares were publicly traded and therefore they issued their own financial reports. The 1,100 layoffs reported in this section related to Altria's Philip Morris tobacco subsidiary and were concentrated in Richmond, VA. Altria's global job changes were computed as follows. Altria's reported employment at the end of 2004 was 156,000. In 2007, Altria fully spun off Kraft and its 90,000 employees (data as of year-end 2006), and in 2008, Altria spun-off Philip Morris International and its 75,600 employees. At year end 2010, Altria reported 10,000 global employees. The net effect of these adjustments is global job growth of 19,600 between 2004-10.

## Appendix 2: 2004 Tax Holiday Beneficiaries that Filed U.S. Employment Reports

Company, ranked by change in U.S. employment	Amount repatriated, 2004-2005 (\$millions)	Offshore funds, 2010 (\$millions)	U.S. employment, 2010	U.S. employment, 2004	Change in U.S. employment, 2004-2010
<b>Yum Brands</b>	500	1,300	64,260	125,440	-61,180
<b>Ford</b>	900	812	75,000	122,877	-47,877
<b>General Electric</b>	1,200	94,000	133,000	165,000	-32,000
<b>Eastman Kodak</b>	580	2,398	9,600	29,200	-19,600
<b>International Paper</b>	2,100	4,300	36,120	52,000	-15,880
<b>Starwood Hotels</b>	550	2,300	37,700	52,800	-15,100
<b>Kraft</b>	500	8,400	37,000	45,000	-8,000
<b>Honeywell</b>	2,200	6,000	53,000	60,000	-7,000
<b>Oracle</b>	5,100	16,100	39,000	45,544	-6,544
<b>Eli Lilly</b>	8,000	19,900	17,650	24,000	-6,350
<b>Intel</b>	6,200	11,800	45,375	51,000	-5,625
<b>Air Products &amp; Chem</b>	165	3,443	7,300	11,000	-3,700
<b>Dell</b>	4,100	12,300	36,900	39,550	-2,650
<b>National Semi-conductor</b>	500	430	2,200	3,600	-1,400
<b>Praxair</b>	1,100	5,900	10,183	11,185	-1,002
<b>CA Technologies</b>	584	685	7,000	7,800	-800
<b>Lexmark</b>	684	1,479	3,900	4,400	-500
<b>Hasbro</b>	547	1,130	3,100	3,400	-300
<b>3M</b>	1,800	5,600	32,955	32,648	307
<b>Boston Scientific</b>	2,546	9,193	15,000	14,200	800
<b>Pepsico</b>	7,500	26,600	108,000	104,600	3,400
<b>Caterpillar</b>	500	11,000	47,319	38,128	9,191
<b>Microsoft</b>	780	44,800	54,000	39,000	15,000
<b>Total</b>	48,636	289,870	875,562	1,082,372	-206,810

## **Notes:**

On repatriation amounts: repatriation totals were adjusted for corporate mergers as follows: Acquiring Company (Acquired Company; Repatriation Amount Added to Acquiring Company): Boston Scientific (Guidant, \$1,500); and Oracle (Sun Microsystems, \$2,000).

On 2004 employment numbers: employees acquired via significant mergers or employees transferred as a result of significant divestitures we made at the following companies and explained as: Acquired/Parent Company (Acquired/Disposed of Firm, Year, Employees Added or Shed): Oracle (acquired Sun Microsystems, 2010, added 24,000 U.S. employees); Dell (acquired Perot Systems, 2009, 14,950 U.S. employees); International Paper (acquired Weyerhaeuser's packaging business, 2008, added 14,300 predominantly U.S. employees, small undisclosed number worked in Mexican facilities); Boston Scientific (sold neurovascular business to Stryker, 2011, shed 1,150 U.S. workers; acquired Guidant, 2009, added 10,000 U.S. employees); Pepsico (acquired Pepsi Bottling Group, 2009, added 32,500 U.S. employees; acquired PepsiAmericas, 2009, added 12,100 U.S. employees).

Starwood Hotels has disclosed that since 2006 it sold 62 hotels, but it did not disclose the number of employees affected by these transactions. These transactions accounted for some of the layoffs noted.

Ford breaks out North American employment data, though not U.S. employment; North American employment data is reported here.

Over the last several years, YUM Brands has sold about 50 percent of its company-owned stores to its franchisees. This accounts for a significant share of their U.S. job losses, but they do not disclose how many workers are affected by this shift in ownership.

During the period 2004-2007, Kraft was both a publicly traded company and a majority-owned subsidiary of Altria Corporation. As such, Kraft issued financial reports on its business and was also consolidated into Altria's reports. The data in this appendix refers solely to Kraft and was not double-counted in Altria data in Appendix 1. Kraft publicly reported layoffs in 2005-2007, as a part of its 2004 global restructuring.

## Appendix 3: WIN America Coalition Member Companies

WIN America member, ranked by change in global employment	Amount repatriated, 2004-2005 (\$millions)	Offshore funds, 2010 (\$millions)	Change in global employment, 2004-2010 (from 10-K)	Change in US workforce, 2004-2010	Announced layoffs, 2004-2011
<b>Pfizer</b>	40,100	48,200	-51,826	n/a	58,071
<b>Eastman Kodak</b>	580	2,398	-36,000	-19,600	19,600
<b>Duke Energy</b>	500	1,200	-10,335	n/a	expected
<b>Brown-Forman</b>	277	390	-2,200	n/a	250
<b>CA Technologies</b>	584	685	-1,900	-800	1,000
<b>Cadence</b>	500	133	-300	n/a	225
<b>Loews</b>	0	598	-200	n/a	449
<b>Devon Energy</b>	545	4,300	925	n/a	50
<b>Brocade</b>	78	338	3,491	n/a	0
<b>Broadcom</b>	0	1,711	5,577	n/a	200
<b>Adobe</b>	500	1,900	5,975	n/a	1,280
<b>Qualcomm</b>	500	10,600	8,200	n/a	some
<b>Google</b>	0	17,500	21,379	n/a	300
<b>Cisco Systems</b>	1,200	36,700	25,760	26,300	6,500
<b>EMC</b>	3,000	5,100	25,800	n/a	2,400
<b>Microsoft</b>	780	44,800	29,000	15,000	5,800
<b>Oracle</b>	5,100	16,100	29,128	-6,544	6,500
<b>Apple</b>	755	12,300	31,800	n/a	1,600
<b>Total</b>	<b>54,999</b>	<b>204,953</b>	<b>84,274</b>		<b>104,225</b>

### Notes:

On repatriation amounts: repatriation totals were adjusted for corporate mergers as follows: Acquiring Company (Acquired Company; Repatriation Amount Added to Acquiring Company): Pfizer (Wyeth, \$3,100); and Oracle (Sun Microsystems, \$2,000)

On 2004 employment numbers: employees acquired via significant mergers or employees let go as a result of significant divestitures were made at the following companies and explained as: Acquired/Parent Co (Acquired/Disposed of Firm, Year, Employees Acquired or Shed): Duke Energy (acquired Cinergy, 2006, 7,275); Pfizer (acquired Wyeth, 2009, 47,426); Oracle (acquired Sun Microsystems, 2010, 29,000). Duke Energy has announced that layoffs will be forthcoming once its planned merger with Progress Energy is completed.

## Appendix 4: Sources and Methodology

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We began our research with five documents, two that contained lists of the biggest beneficiaries of the 2004 tax holiday, and three that listed publicly reported layoffs. For the largest repatriators, we looked to see if they had layoffs. We first utilized the three layoff tracking lists, supplementing these with internet searches. We then looked at the firms with publicly reported layoffs to see if they appeared on lists of firms repatriating funds. If firms were not listed, we consulted their 10-K reports to see if they had repatriated funds under the 2004 tax holiday. In all we examined the records of about 200 firms. There were more than 800 firms that repatriated funds. Among the companies we did not examine, there are no doubt some that destroyed jobs and others that created jobs. In this report we present data on firms that collectively accounted for nearly 70 percent of windfall gleaned from the 2004 corporate tax holiday. We believe this data provides sufficient basis to draw broad conclusions. We make no representation that we have exhaustively examined the more than 800 firms that benefited from the tax holiday.

### *Data on Repatriation Amounts and Offshore Funds*

For data on the amounts repatriated under the 2004 tax holiday, we principally relied on "Permanently Reinvested Earnings: Priceless" by Rodney P. Mock and Andreas Simon, assistant professors at California Polytechnic State University. This article was published in Tax Notes on November 17, 2008. Table 1 "Top 81 Repatriating Companies Under the American Jobs

Creation Act." We also utilized the American Shareholders Association's "Repatriation Scorecard," <http://www.atsr.org/pdf/2005/aug/081905asa-repat.pdf>. We supplemented this data with independent research on those supporters of the WIN America campaign whose repatriation activities were not reported in Tax Notes. Where Tax Notes did not cover particular companies, we used the company's SEC 10-K reports to determine the repatriation amounts. Corporations report their untaxed foreign profits in the Tax Footnote in their financial statement. Usually this disclosure says something like "No deferred taxes were established for \$ X million of profits permanently reinvested outside of the United States."

### *Job Destruction*

Job destruction occurs in many ways: layoffs, early retirement programs, and voluntary buy-out programs. Whatever the form job destruction takes, the jobs lost reduce national employment levels and contribute to economic weakness.

Unfortunately, company-specific layoff data is not publicly available from one centralized source. We relied on the following:

Data for 2004-2006 comes from "Tax Cuts on Repatriated Earnings of Economic Stimulus: An Economic Analysis" by Donald J. Marples and Jane G. Gravelle, Congressional Research Service (R40178), May 27, 2011.

Data for the period November 1, 2008 through March 31, 2010 comes from the Forbes.com Layoff Tracker ([http://www.forbes.com/2008/11/17/layoff-tracker-unemployment-lead-cx\\_kk\\_1118tracker.html](http://www.forbes.com/2008/11/17/layoff-tracker-unemployment-lead-cx_kk_1118tracker.html)). Forbes discontinued its layoff tracking after April 1, 2010. We also used layoff data from outplacement firm Challenger, Gray, and Christmas, cited in "The Layoff Kings: The 25 Companies Responsible for 700,000 Lost Jobs." <http://www.dailyfinance.com/2010/08/18/the-layoff-kings-the-25-companies-responsible-for-700-000-lost/>

Internet searches of the 58 companies using terms "layoffs" and "job cuts" were conducted to augment data after April 1, 2010, as well as the uncovered period between the periods examined by the Congressional Research Service and Forbes.com. Detailed references for these sources are available upon request.

In addition to information on announced layoffs, we also examined companies' total employment figures, as reported in their corporate 10-K annual reports filed with the U.S. Securities and Exchange Commission. In most cases, firms took their tax holiday in 2005, so we used figures from December 31, 2004 as the baseline employment level and their most recent 10-K — in most cases, the employment levels as of December 31, 2010.

Unfortunately, many companies have ceased reporting U.S. employment numbers separately, a recent phenomenon which *The Washington Post* reported on last month in "Corporations Pushing for Job-Creation Tax Breaks Shield U.S. vs. Abroad Hiring Data."<sup>22</sup> *The Post* begins its report:

Some of the country's best-known multinational corporations closely guard a number they don't want anyone to know: the breakdown between their jobs here and abroad.

So secretive are these companies that they hand the figure over to government statisticians on the condition that officials will release only an aggregate number. The latest data show that multinationals cut 2.9 million jobs in the United States and added 2.4 million overseas between 2000 and 2009. Some of the same companies that do not report their jobs breakdown, including Apple and Pfizer, are pushing lawmakers to cut their tax bills in the name of job creation in the United States.

But experts say that without details on which companies are contributing to job growth and which are not, policymakers risk flying blind as they try to jump-start the hiring of American workers."

CNN also recently reported a new attempt by some corporations to obscure their U.S. layoffs. Dubbed "tap-tap layoffs" employees are told they retain their salary and title for a period, but no longer have a job. CNN reports: "The primary drivers of the 'tap, tap' layoffs is twofold: The institution can decrease the number of reported layoffs if these employees can find other jobs. Secondly the banks will lower their expenses for the fourth quarter."<sup>23</sup>

We attempted to adjust employment data for significant mergers and divestitures for which employee information was available. In the case of Motorola,



which split into two companies in 2010, we added 2010 numbers from Motorola Mobility and Motorola Solutions together to generate comparables to Motorola's 2004 numbers. For companies that made large acquisitions between 2004 and 2011, we added the employee numbers at the time of the acquisition to the 2004 numbers of the acquirer, to reflect jobs acquired, rather than new job creation. Where companies ceased to be an independent company due to being acquired by another company (Black & Decker and Merrill Lynch) we used the employment data from their final 10-K as the terminal number in calculating job gains or losses. Notes on these adjustments can be found at the bottom of each data table in the appendices.

## *Cash and 2008-2010*

### *Profitability*

Data on corporate cash positions and three-year profitability were obtained from company filings with the Securities and Exchange Commission. Cash positions were taken from each company's most recently filed 10-Q quarterly report as of September 21, 2011. Profit numbers are pre-tax global profits and were taken from each company's SEC annual report Form 10-K.

# Endnotes

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1. Richard Rubin and Steven Sloan, "Tax Holiday Sought by Pfizer, Google Would Cost \$78.7 Billion," Bloomberg, May 11, 2011. <http://www.bloomberg.com/news/2011-05-11/corporate-tax-holiday-would-cost-78-7-billion.html>
2. Here and elsewhere in the report we estimate the tax savings as the difference between repatriating foreign profits at the 35 percent statutory rate and the proposed 5.25 percent tax holiday rate. Actual tax savings will depend on how much foreign profits are repatriated and the amount of foreign tax credit the company has available to offset the U.S. tax. With sufficient foreign tax credits, the effective U.S. tax rate on repatriated funds could easily have been zero."
3. Supplemental Nutrition Assistance Program: Number of People Participating. U.S. Department of Agriculture, September 1, 2011. <http://www.fns.usda.gov/pd/29snapcurrpp.htm>
4. Donald J. Marples and Jane G. Gravelle, "Tax Cuts on Repatriated Earnings of Economic Stimulus: An Economic Analysis," Congressional Research Service (R40178), May 27, 2011. [http://www.ctj.org/pdf/crs\\_repatriationholiday.pdf](http://www.ctj.org/pdf/crs_repatriationholiday.pdf)
5. Here and elsewhere in the report we estimate the tax savings as the difference between repatriating foreign profits at the 35 percent statutory rate and the proposed 5.25 percent tax holiday rate. Actual tax savings will depend on how much foreign profits are repatriated and the amount of foreign tax credit the company has available to offset the U.S. tax. With sufficient foreign tax credits, the effective U.S. tax rate on repatriated funds could easily have been zero."
6. Here and elsewhere in the report we estimate the tax savings as the difference between repatriating foreign profits at the 35 percent statutory rate and the proposed 5.25 percent tax holiday rate. Actual tax savings will depend on how much foreign profits are repatriated and the amount of foreign tax credit the company has available to offset the U.S. tax. With sufficient foreign tax credits, the effective U.S. tax rate on repatriated funds could easily have been zero."
7. Two firms, Black and Decker and Merrill Lynch, were taken over by other firms since the 2004 tax holiday. Thus, they are excluded from the calculations of profitability over the period.
8. Most recent quarterly report, as of Sept. 21, 2011.
9. Dhammika Dharmapala, C. Fritz Foley, and Kristin J. Forbes, "Watch What I Do, Not What I Say: The Unintended Consequences of the Homeland Investment Act," Bureau of Economic Analysis, September, 2008. <http://www.afajof.org/afa/forthcoming/7446p.pdf>
10. Paul Blumenthal, "Tech Companies Lead Lobbying Push For Tax Holiday," Sunlight Foundation, March 30, 2011. <http://sunlightfoundation.com/blog/taxonomy/term/tax-repatriation-holiday/>
11. Web site of the WIN America campaign, accessed September 20, 2011. <http://www.winamericacampaign.org/>
12. Three of the eighteen companies were not part of the 2004 repatriation. These companies were: Broadcomm, Google, and Loews.
13. Brocade repatriated just \$78 million in 2004, one of the lowest amounts. According to Fortune's 2010 Best Companies to Work for in America report, when facing financial difficulties in 2009, Brocade chose to temporarily shutter a plant and require all workers to take a two-week furlough, rather than laying off anyone. <http://money.cnn.com/magazines/fortune/bestcompanies/2010/snapshots/61.html>
14. Pfizer repatriated \$37 billion under the American Jobs Creation Act of 2004 (AJCA). In 2009 Pfizer acquired Wyeth which repatriated \$3.1 billion under AJCA. In the Appendices of this report, we list Pfizer's repatriation total as \$40.1 billion, to reflect the total repatriation benefit experienced by the combined companies.

15. For purposes of determining employment levels in the base year, we added the 21,500 employees of Duke Energy Carolinas as of December 2004, to the 7,275 employees of Cinergy as of January 2006, just prior to the merger of the two firms.
16. "Duke guaranteeing \$10 million line of credit for DNC," Jim Morrill, *Charlotte Observer*, March 12, 2011 <http://www.charlotteobserver.com/2011/03/12/2133391/duke-guaranteeing-10m-line-of.html>
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18. "The Next Stimulus: Bringing Corporate Tax Dollars Home to Work in America," [transcript], Third Way, June 15, 2011. <http://www.thirdway.org/events/50/transcript>
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22. Jia Lynn Yang, Corporations Pushing for Job Creation Tax Breaks Shield U.S. vs. Abroad Hiring Data," *The Washington Post*, August 21, 2011. [http://www.washingtonpost.com/business/economy/corporations-pushing-for-job-creation-tax-breaks-shield-us-vs-abroad-hiring-data/2011/08/12/gIQAZwhqUJ\\_story.html](http://www.washingtonpost.com/business/economy/corporations-pushing-for-job-creation-tax-breaks-shield-us-vs-abroad-hiring-data/2011/08/12/gIQAZwhqUJ_story.html)
23. Maureen Farrell, "More layoffs loom on Wall Street," CNN Money, September 13, 2011.



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