The CEO Campaign to 'Fix' the Debt

A Trojan Horse for Massive Corporate Tax Breaks

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Key Findings

- **The Fix the Debt campaign has raised $60 million and recruited more than 80 CEOs of America's most powerful corporations to lobby for a debt deal that would reduce corporate taxes and shift costs onto the poor and elderly**.

  Specifically, the campaign is pushing for less spending on earned-benefit programs, such as Social Security and Medicare, while promoting a rash of corporate tax breaks as part of what they call "pro-growth tax reform." The member companies include 35 financial services firms and four companies incorporated outside the U.S.

- **The 63 Fix the Debt companies that are publicly held stand to gain as much as $134 billion in windfalls if Congress approves one of their main proposals — a "territorial tax system."**

  Under this system, companies would not have to pay U.S. federal income taxes on foreign earnings when they bring the profits back to the United States. Our estimate of a potential $134 billion windfall is based on these firms' $418 billion in accumulated offshore profits. That's enough to cover the annual salaries of 1.9 million elementary school teachers.

  The biggest potential winners are General Electric, which could reap a tax windfall of as much as $35.7 billion on its overseas earnings stash of $102 billion, and Microsoft, which could garner a savings of $19.4 billion on its $60.8 billion in accumulated foreign earnings.

  A territorial system would give companies additional incentives to disguise U.S. profits as income earned in tax havens in order to avoid paying U.S. income taxes.

- **The CEOs backing Fix the Debt personally received a combined total of $41 million in savings last year thanks to the Bush-era tax cuts.**

  The top CEO beneficiary of the Bush tax cuts in 2011, Leon Black of Apollo Global Management, saved $9.9 million on the Bush tax cuts. The private equity fund leader reaped $215 million in taxable income last year just from vested stock.

  Some of the Fix the Debt campaign's CEOs have indicated a willingness to give up their individual tax cuts in exchange for a "balanced" debt deal that would also include corporate tax breaks. This is not very surprising, given that the amount of additional personal income tax they might pay would very likely be more than offset by higher corporate profits. Those higher profits would boost their bonuses and stock option gains.

- **Of the 63 Fix the Debt CEOs at publicly held firms, 24 received more in compensation last year than their corporations paid in federal corporate income taxes.**

  All but six of these firms reported U.S. profits last year. Boeing CEO W. James McNerney, Jr. has received more in compensation than the aviation and military contracting giant paid in federal income taxes in six out of the seven years he has served as its CEO.

What is the “Fix the Debt” campaign?

The elections are over but the decade-long campaign by CEOs of America’s largest corporations for massive corporate tax cuts continues to rage. More than 80 CEOs of America’s most powerful corporations have come together behind a new campaign called “Fix the Debt,” which has raised $60 million for a major media and lobbying blitz. Wall Street is heavily represented in the campaign, with 35 financial services firms, including 13 hedge fund or asset management firms, among their members. A major force behind the creation of “Fix the Debt” is billionaire Pete Peterson, who has long advocated for cuts to Social Security.

The campaign’s ads have begun to spring up in places like *The Washington Post*’s website and are soon expected to fill our airwaves as well. The ads call for what appears to be a moderate agenda of balancing spending cuts with some tax increases in order to bring down the deficit and ensure a bright future for the United States. But a closer look at the campaign’s lobby materials reveals two particularly controversial goals:

1. **“Pro-growth” corporate tax reform**. This is Washington-speak for cutting corporate tax rates and shifting to a “territorial tax system” that would permanently exempt from U.S. taxes all offshore income earned by U.S. corporations.

2. **“Reforming” earned-benefit programs**. This means cutting Medicaid, Medicare, and Social Security benefits. While these CEOs have offered few details on how they would cut costs with these reforms, it would likely be by limiting access to these programs paid for by all working Americans and by yet again raising the retirement age.

This report focuses on the Fix the Debt campaign’s corporate tax agenda and in particular the windfalls the campaign’s member corporations would reap from a territorial tax system. We also analyze the savings the Fix the Debt campaign’s CEOs have derived from the Bush tax cuts, another major element of the current debt debate.

In “Fix the Debt” Campaign’s Own Words:

(from Powerpoint Presentation posted on www.fixthedebt.org)

The Fix the Debt campaign's corporate members' potential savings from the territorial tax system

As of November 1, 2012, the Fix the Debt campaign listed 86 CEO members on their campaign web site. Of these, we focused in on the 63 who lead publicly held corporations and thus are required to report executive compensation and tax data to the SEC.

These 63 companies have squirreled away more than $418 billion offshore, according to their 10-K reports. As it is now, these firms would be required to pay U.S. federal corporate income taxes (at a top rate of 35 percent) on these foreign earnings when or if they return ("repatriate") them to America to use to invest or pay dividends to shareholders.

If Congress adopts Fix the Debt's proposed territorial tax system, these corporate foreign earnings would be permanently exempted from U.S. income taxes. As a result, these 63 companies would stand to win as much as $134 billion in tax windfalls.

The Campaign's Ten Top Potential Winners from a Territorial Tax System

Fix the Debt Member Company	Offshore Profits	Potential Tax Savings
General Electric	$102 billion	$35.7 billion
Microsoft	$60.8 billion	$19.4 billion
Merck	$44.3 billion	$15.5 billion
Cisco Systems	$41.3 billion	$14.5 billion
JPMorgan Chase	$21.8 billion	$4.9 billion
Goldman Sachs	$20.6 billion	$3.3 billion
Bank of America	$18.5 billion	$2.5 billion
Qualcomm	$16.4 billion	$5.7 billion
Corning	$10.8 billion	$3.8 billion
Dow Chemical	$10.0 billion	$3.5 billion

For details on methodology and the full list of publicly held Fix the Debt members and their potential savings from a territorial tax system, see Appendix 1.

The practice of accumulating massive earnings in foreign countries goes far beyond Fix the Debt's corporate membership. S&P 500 companies as a whole have nearly $1.5 trillion parked offshore, according to Citizens for Tax Justice. While some of these profits are offshore because a U.S. multinational corporation produced a product offshore and sold it to a foreign consumer, a significant share is there for the purpose of avoiding taxes.

Here's how it works. The U.S. corporate tax code requires U.S.-headquartered corporations to pay a tax rate of 35 percent on their profits regardless of where in the world those profits are earned. But there are two important exceptions. First, U.S. corporations are granted credits for any taxes paid to foreign governments. Second, any profits deemed permanently reinvested offshore are exempted from U.S. taxes until and unless they are returned to the United States.

A company that books profits in the United Kingdom or Germany and pays taxes there gets a full credit for those taxes on its U.S. tax returns and thus owes little, if any, U.S. taxes on those profits. But if profits can be shifted to a tax haven where corporate profits are very lightly taxed, if taxed at all, then something close to 35 percent in taxes would be due when these funds are returned to America. Thus, a territorial tax system would be enormously profitable for the many firms that are aggressively shifting their profits to offshore tax havens like the Cayman Islands or Bermuda.

Corporate lobby groups argue that a territorial tax system would be good for American workers because it would encourage firms to bring foreign earnings home where they would be used to invest and create jobs in this country. However, the 63 public companies in the Fix the Debt campaign are hardly strapped for cash. According to their most recent 10-K reports, they collectively have nearly $480 billion in cash on their balance sheets,’ enough to pay living wage salaries for 10 million workers. Slashing their taxes may well increase their cash hoard, but it will not necessarily spur them to invest in the United States.

Example: Microsoft

Microsoft Excel(s) in Profit-Shifting, Dimming the Outlook for Fixing the Debt

Microsoft’s $60 billion stash of unrepatriated offshore earnings is the second-largest among the Fix the Debt campaign’s member corporations. The software giant estimates that if it were to return this money to the United States, it would owe $19.3 billion in U.S. income taxes. This works out to a U.S. tax rate of 32 percent, meaning that the firm has paid foreign taxes of only a couple of percent on these funds. And it indicates that nearly all of Microsoft’s foreign earnings are in tax havens.

How does this work? Microsoft takes software largely developed at its U.S. research facilities and registers the patents in places like Ireland, which do not tax income from patents. When a U.S. customer buys a copy of Windows or Microsoft Office, Microsoft charges a licensing fee and sends a hefty chunk of the product cost to Ireland or another tax haven nation. Meanwhile all the costs of developing and marketing the software remain in the United States, where they can be used to offset the residual income that Microsoft is unable to shift offshore legally. According to Senator Carl Levin (D-MI), Microsoft used subsidiaries in Puerto Rico, Ireland, Singapore, and Bermuda to avoid paying $6.5 billion in federal corporate income taxes over the last three years.

Another way that we can identify companies abusing transfer pricing rules is in the disparity between the shares of total sales and profits reported in the United States. In 2011, Microsoft reported 54 percent of its sales in the United States, but just 7 percent of its global profits. There are only two possible explanations for this disparity: either profit margins in the United States are a small fraction of what they are in the rest of the world or Microsoft is successfully exploiting transfer pricing laws to shift U.S. profits to low-tax nations.

Leveraging the “Fiscal Cliff” to Push an Old Idea

The Fix the Debt campaign is only the latest effort in a long-standing push by corporate lobby groups to avoid paying taxes on foreign earnings.

- In 2004, corporate lobby groups won their first campaign to repatriate foreign earnings virtually tax-free. The misnamed American Jobs Creation Act offered corporations a deeply discounted tax rate of 5.25 percent (instead of the 35 percent tax rate they otherwise would have paid) if they repatriated foreign earnings and invested that money to create jobs. In the year that followed, 843 U.S. corporations repatriated $312 billion, saving about $80 billion on their tax bills. But instead of creating jobs, the biggest beneficiaries downsized. Pfizer, for example, cut more than 10,000 U.S. jobs in the six years after it repatriated $40 billion. The vast majority of repatriated funds came from tax haven nations, according to a Senate report.

- In 2011, a new corporate coalition, WIN America, set about once again to market a giant corporate tax giveaway as a jobs program. This time there was strong opposition. The FACT Coalition, a DC-based alliance of more than 50 non-profits, including tax justice, human rights, environmental, small business, labor, faith-based, and corporate transparency groups, exposed the unfulfilled promises of the first tax holiday and the tax-dodging records of many WIN America members. The Institute for Policy Studies published a report, America Loses, documenting the job destruction of WIN America companies. In April 2012, WIN America shut down.

- Six WIN America members are core members of the new Fix the Debt campaign, which has twice as many supporters and ten times the cash of WIN America.

- Six Fix the Debt companies are also members of the RATE Coalition, a corporate campaign focused on cutting corporate tax rates. And 40 Fix-the-Debt CEOs are also members of the Business Roundtable, a four-decades-old lobbying club of America’s most powerful CEOs. Last summer, the Business Roundtable CEOs sent a letter to Congress about the “fiscal cliff” calling for all tax cuts to be extended through 2013, including those for the richest two percent of taxpayers, so that comprehensive tax reform could be enacted. They also wrote that “Thoughtful reforms to the nation’s entitlement programs must be a part of the equation.”

The Fix the Debt campaign's member CEOs' personal savings from the Bush tax cuts

CEOs have been prime beneficiaries of the Bush tax cuts, which are set to expire at the end of this year. These cuts lowered the maximum marginal tax rate on "earned" income in the top income bracket from 39.6 percent to 35 percent and slashed the tax rate on capital gains and dividend income down to 15 percent.

The 63 CEOs of publicly held Fix the Debt campaign companies personally received a combined total of $41 million in savings from the Bush tax cuts last year. This is a very conservative estimate, since our analysis is based only on the compensation data available in corporate proxy statements. Every CEO on this list certainly saved significantly more from the Bush tax cuts than the sums listed here, since they had additional income from other sources, such as their investments. But considering the tax savings on just their pay alone can help us understand how much those at the top have to gain from an extension of these tax cuts.

The Campaign's Top Ten Beneficiaries of the Bush Tax Cuts

Fix the Debt CEO	COMPANY	Taxable compensation, 2011	2011 Bush tax cut savings
Leon Black	Apollo Global Management	$215,571,652	$9,904,796
David Cote	Honeywell	$55,238,914	$2,529,490
Terry Lundgren	Macy's	$41,634,118	$1,903,669
Paul Jacobs	Qualcomm	$34,696,767	$1,584,551
Steven Roth	Vornado Realty Trust	$30,591,996	$1,395,732
Alexander Cutler	Eaton	$25,740,221	$1,172,550
Randall Stephenson	AT&T	$24,977,305	$1,137,456
Larry Fink	BlackRock	$23,186,880	$1,055,096
Brian Duperreault	Marsh & McLennan	$22,553,127	$1,025,944
Glenn Britt	Time Warner Cable	$20,833,319	$946,833

For details on methodology and the full list of publicly held Fix the Debt members and their Bush tax cut savings, see appendix 2.

Example: Leon Black, CEO of Apollo Global Management

The Fix the Debt CEO of a publicly traded company who benefited most from the Bush tax cuts in 2011 is Leon Black of Apollo Global Management. He saved $9.9 million. The private equity fund leader reaped $215 million in taxable income last year just from vested stock alone. Black made headlines last year when he paid $120 million to acquire Edvard Munch's "The Scream." That hefty pricetag set a record for art purchased at an auction.

Some of the Fix the Debt campaign's CEOs have said they would agree to give up these individual tax cuts in exchange for other parts of their agenda, including the shift to a territorial tax system and other corporate tax breaks. Their stands make them appear moderate in the highly partisan debt fight. In fact, another group of CEOs, backed by the U.S. Chamber of Commerce, the Tax Relief Coalition, has attacked the Fix the Debt campaign for its openness to increasing some taxes.

However, the willingness of some CEOs to give up their Bush tax cut savings is not all that surprising, in light of the massive rewards that could come their way from a switch to a territorial tax system and other corporate tax breaks. If their companies save billions in tax dollars, corporate profits will soar — and CEO pay will skyrocket too. The small amount of additional personal income tax they might pay would be more than offset by higher bonuses and stock option gains.

The Fix the Debt campaign's member corporations that paid their CEOs more than they paid Uncle Sam

Of the 63 Fix the Debt companies that are publicly held, 24 paid their CEOs more in compensation last year than they paid in U.S. federal corporate income taxes. This calculation is based on figures provided for total executive compensation in the firms' proxy statements and the figure for current U.S. federal taxes paid in their 10-K reports.

In many cases the firms paid zero taxes or received large refunds. Six of the firms received money back from the government in excess of $100 million (AT&T, Bank of America, Boeing, Motorola Solutions, Stanley Black & Decker, and Starwood Hotels & Resorts).

In other cases, they sent Uncle Sam a check, but it was still smaller than what they paid their CEO. At VeriFone, for example, CEO Doug Bergeron hauled in $14.2 million in total compensation in 2011, while the firm paid only $5.9 million in federal income taxes.

These firms' low tax bills — or large refunds — cannot be explained by low profits. Just six of these companies reported losses in the United States last year. Instead, the low IRS bills these companies faced reflect the widespread use of a variety of tax-avoiding strategies. For a more detailed analysis of the phenomenon of large U.S. corporations paying their CEOs more than they pay in taxes to Uncle Sam, see IPS's annual Executive Excess report.

Fair Tax Reform

If the corporate chieftains behind the Fix the Debt campaign are sincere in their desire to create a fairer, more sustainable economy, here are six immediate steps they could take as part of a broader agenda to restore fairness to the corporate tax system:

1. **Support the Stop Tax Haven Abuse Act**

This bill would limit phony accounting transactions undertaken for the express purpose of avoiding taxes. The U.S. Treasury loses an estimated $100 billion a year to tax haven abuse. Closing offshore tax loopholes, not presently on the Fix the Debt campaign's agenda, would raise an additional $1 trillion over the next decade.

2. **Support an end to the Bush tax cuts for the richest 2 percent**

While some of the Fix the Debt campaign's CEO members have said they are supportive, the campaign should make this a priority of their joint agenda. Ending tax breaks for those at the top would raise an additional $1 trillion over ten years.

3. **Support revenue-positive corporate tax reform**

Currently, revenues from U.S. corporate income taxes as a percentage of the nation's total tax receipts, stand at a 50-year low, even as corporate profits are peaking at a 50-year high. We need to restore corporate tax revenue to the more meaningful share of federal tax receipts as it was in more prosperous times.

4. **Support a tax on financial transactions**

A small tax of a fraction of a percent on each trade of stocks, derivatives, bonds, and other financial instruments would help curb short-term speculation that erodes confidence in the stability of markets while generating massive revenues.

5. **Support ending the unlimited CEO pay tax deduction corporations exploit**

A massive loophole in the tax code allows companies to deduct unlimited amounts of executive compensation from their corporate income taxes, as long as the compensation is "performance based." With the explosion of stock option-based compensation, companies deduct the bulk of CEO pay from their taxes — and the rest of us get stuck with the bill.

6. **Support an end to the tax loophole that allows hedge fund managers to pay a lower tax rate than their secretaries**

Under current law, hedge and private equity fund managers pay taxes at a 15 percent capital gains rate on the profit share — "carried interest" — they get paid to manage investment funds, rather than the 35 percent rate they would pay under normal tax schedules. Closing the carried interest loophole would address one of the most extreme examples of Wall Street privilege.

The Fix the Debt campaign would have the American public believe that our nation is broke and the only solution is a path of austerity and cutting the benefit programs that U.S. workers have paid for throughout their working lives.

In reality, we are the wealthiest nation in the history of the world, but too much of our wealth is going into the pockets of military contractors, polluters, and wealthy individuals and corporations. For a broader agenda that would raise trillions of dollars in ways that would make our economy more equitable, green, and secure, see the Institute for Policy Studies report "America is Not Broke."

Appendix 1: The Fix the Debt campaign's corporate members' potential savings from a territorial tax system

CEO	COMPANY	Unrepatriated offshore earnings ($mill)	Potential savings if territorial tax system adopted ($mill)
Mark Bertolini	Aetna	0	0
John McGlade	Air Products and Chemicals	4,100	968
Klaus Kleinfeld	Alcoa	8,300	2,905
Thomas Wilson	Allstate Corporation	0	0
Leon Black	Apollo Global Management	0	0
Randall Stephenson	AT&T	0	0
Brian Moynihan	Bank of America	18,500	2,500
Larry Fink	BlackRock	1,500	525
W. James McNerney, Jr.	Boeing	undisclosed	66
Richard Daly	Broadridge Financial Solutions	280	98
William McCracken	CA Technologies	1,999	700
Gary Loveman	Caesars Entertainment	42	15
Douglas Oberhelman	Caterpillar	13,000	4,550
John Chambers	Cisco Systems	41,300	14,455
Kirk Hachigian	Cooper Industries plc	10	4
Wendell Weeks	Corning	10,800	3,780
Thomas L. Monahan, III	Corporate Executive Board Company	23	8
Samuel Allen	Deere & Co	2,597	909
Richard Anderson	Delta Air Lines	0	0
Michael White	DIRECTV	298	104
Andrew Liveris	Dow Chemical	10,000	3,500
Rolla Huff	EarthLink	0	0
Alexander Cutler	Eaton	6,400	2,240
Joe Payne	Eloqua	undisclosed	n/a
George Paz	Express Scripts	54	19
Ken Hicks	Foot Locker	771	270
Jeffrey Immelt	General Electric	102,000	35,700
Lloyd Blankfein	Goldman Sachs	20,630	3,320
David Cote	Honeywell	8,100	2,835
Michael McCallister	Humana	0	0
Martin Flanagan	Invesco	977	342
Robert Gasser	Investment Technology Group	0	0
Jamie Dimon	JPMorgan Chase	21,800	4,900

CEO	COMPANY	Unrepatriated offshore earnings ($mill)	Potential savings if territorial tax system adopted ($mill)
Thomas Joyce	Knight Capital Group	0	0
James Tisch	Loews Corp	undisclosed	n/a
Robert Wilmers	M&T Bank	0	0
Terry Lundgren	Macy's	0	0
Arne Sorenson	Marriott International	451	158
Brian Duperreault	Marsh & McLennan	4,100	1,435
Kenneth Frazier	Merck	44,300	15,505
Steve Ballmer	Microsoft	60,800	19,400
Greg Brown	Motorola Solutions	1,000	350
Robert Greifeld	Nasdaq OMX Group	60	21
Duncan Niederauer	NYSE Euronext	0	0
Walter Rakowich (Co-CEO**)**	Prologis	0	0
Paul Jacobs	Qualcomm	16,400	5,800
Thomas Quinlan, III	R.R. Donnelley & Sons	undisclosed	n/a
Mel Karmazin	Sirius XM Radio	0	0
John Lundgren	Stanley Black & Decker	3,600	1,260
Frits can Paasschen	Starwood Hotels & Resorts	2,300	805
Brian Rogers (Chair of the Board and CIO**)**	T. Rowe Price	143	50
Gregg Sherrill	Tenneco	698	269
Scott Donnelly	Textron	470	165
Marc Casper	Thermo Fisher Scientific	4,700	1,645
Glenn Britt	Time Warner Cable	0	0
Tom Rogers	TiVo	0	0
D. Scott Davis	United Parcel Service	3,200	1,120
Doug Bergeron	VeriFone	127	44
Lowell McAdam	Verizon Communications	1,500	525
Steven Roth	Vornado Realty Trust	0	0
Daniel Fulton	Weyerhaeuser	22	8
Joseph Plumeri, II	Willis Group Holdings plc	0	0
Paul Stebbins	World Fuel Services	794	278
Total		$418,146	$133,544
Average		$7,087	$2,120

Sources and methodology for Appendix 1:

Unrepatriated offshore earnings: Income tax footnote to most recent corporate 10-K reports filed with the SEC. For most firms, the data are current as of the end of fiscal year 2011, while a few have reported fiscal year 2012 numbers.

Potential savings if territorial tax system adopted: For the following companies, the figures are the company's own estimates, reported in 10-K filings, for the amount of incomes taxes that would be accrued or paid upon repatriation of foreign earnings: Air Products and Chemicals, Bank of America, Boeing, Caesars Entertainment, Goldman Sachs, JPMorgan Chase, Microsoft, Qualcomm, and Tenneco. In the case of Tenneco, the estimate includes both U.S. and foreign income taxes; the company did not provide a breakdown. For the remaining companies, the figure represents 35 percent of their reported unrepatriated offshore profits. This figure represents the maximum tax they would owe if they repatriated their foreign earnings.

Appendix 2: The Fix the Debt campaign's CEO members' personal savings from the Bush Tax Cuts

CEO	COMPANY	Taxable compensation, 2011	2011 Bush tax cut savings
Mark Bertolini	Aetna	$9,450,179	$423,208
John McGlade	Air Products and Chemicals	$11,037,408	$496,221
Klaus Kleinfeld	Alcoa	$4,494,133	$195,230
Thomas Wilson	Allstate Corporation	$4,071,582	$175,793
Leon Black	Apollo Global Management	$215,571,652	$9,904,796
Randall Stephenson	AT&T	$24,977,305	$1,137,456
Brian Moynihan	Bank of America	$1,645,865	$64,210
Larry Fink	BlackRock	$23,186,880	$1,055,096
W. James McNerney, Jr.	Boeing	$12,427,100	$560,147
Richard Daly	Broadridge Financial Solutions	$3,613,622	$154,727
William McCracken	CA Technologies	$3,902,586	$168,019
Gary Loveman	Caesars Entertainment	$5,800,000	$255,300
Douglas Oberhelman	Caterpillar	$10,246,760	$459,851
John Chambers	Cisco Systems	$20,129,122	$914,440
Kirk Hachigian	Cooper Industries plc	$10,146,410	$455,235
Wendell Weeks	Corning	$6,260,971	$276,505
Thomas L. Monahan, III	Corporate Executive Board Company	$903,187	$30,047
Samuel Allen	Deere & Co	$7,878,461	$350,909
Richard Anderson	Delta Air Lines	$13,461,333	$607,721
Michael White	DIRECTV	$5,207,603	$228,050
Andrew Liveris	Dow Chemical	$16,454,895	$745,425
Rolla Huff	EarthLink	$4,477,532	$194,466
Alexander Cutler	Eaton	$25,740,221	$1,172,550
Joe Payne	Eloqua	$727,580	$21,969
George Paz	Express Scripts	$14,403,017	$651,039
Ken Hicks	Foot Locker	$9,340,052	$418,142
Jeffrey Immelt	General Electric	$7,300,000	$324,300
Lloyd Blankfein	Goldman Sachs	$15,600,085	$706,104
David Cote	Honeywell	$55,238,914	$2,529,490
Michael McCallister	Humana	$13,553,724	$611,971
Martin Flanagan	Invesco	$12,741,713	$574,619
Robert Gasser	Investment Technology Group	$2,315,874	$95,030
Jamie Dimon	JPMorgan Chase	$14,459,878	$653,654
Thomas Joyce	Knight Capital Group	$8,714,066	$389,347

CEO	COMPANY	Taxable compensation, 2011	2011 Bush tax cut savings
James Tisch	Loews Corp	$3,950,000	$170,200
Robert Wilmers	M&T Bank	$4,678,248	$203,699
Terry Lundgren	Macy's	$41,634,118	$1,903,669
Arne Sorenson	Marriott International	$4,800,607	$209,328
Brian Duperreault	Marsh & McLennan	$22,553,127	$1,025,944
Kenneth Frazier	Merck	$5,409,833	$237,352
Steve Ballmer	Microsoft	$1,305,000	$48,530
Greg Brown	Motorola Solutions	$13,456,343	$607,492
Robert Greifeld	Nasdaq OMX Group	$6,532,200	$288,981
Duncan Niederauer	NYSE Euronext	$8,667,748	$387,216
Walter Rakowich (Co-CEO)	Prologis	$5,066,551	$221,561
Paul Jacobs	Qualcomm	$34,696,767	$1,584,551
Thomas Quinlan, III	R.R. Donnelley & Sons	$7,422,129	$329,918
Mel Karmazin	Sirius XM Radio	$10,700,000	$480,700
John Lundgren	Stanley Black & Decker	$19,188,848	$871,187
Frits can Paasschen	Starwood Hotels & Resorts	$7,717,527	$343,506
Brian Rogers (Chair of the Board and CIO)	T. Rowe Price	$6,293,100	$277,983
Gregg Sherrill	Tenneco	$5,494,974	$241,269
Scott Donnelly	Textron	$11,227,800	$504,979
Marc Casper	Thermo Fisher Scientific	$2,669,308	$111,288
Glenn Britt	Time Warner Cable	$20,833,319	$946,833
Tom Rogers	TiVo	$3,634,332	$155,679
D. Scott Davis	United Parcel Service	$7,160,099	$317,865
Doug Bergeron	VeriFone	$10,211,392	$458,224
Lowell McAdam	Verizon Communications	$3,589,007	$153,594
Steven Roth	Vornado Realty Trust	$30,591,996	$1,395,732
Daniel Fulton	Weyerhaeuser	$1,921,255	$76,878
Joseph Plumeri, II	Willis Group Holdings plc	$13,771,238	$621,977
Paul Stebbins	World Fuel Services	$5,197,702	$227,594
Total			$41,404,796
Average			$657,219

Sources and methodology for Appendix 2:

Taxable compensation in 2011: Calculated by the authors based on data in corporate proxy statements. Includes: salary, bonus, non-equity incentive awards, and options exercised and stock awards that vested and thus were taxable during 2011. From this total we subtracted the amount of compensation that executives deferred and placed into retirement accounts as these amounts are not taxable until the executive retires and withdraws the funds.

We did not distinguish between nonqualified stock options, which are taxable when exercised, and incentive stock options which are not taxable when exercised but instead are taxed as capital gains if held one year before they are sold. Incentive stock options are very limited in size, so they represent a small amount of the total options exercised if any at all. Even if incentive stock options are included, they too benefit from the Bush tax cuts because when they are exercised they would be taxed at only a 15 percent rate, not the 20 percent rate in effect before the Bush tax cuts.

We did not include taxable items such as the use of corporate jets for personal travel, though we note that when companies require executives to use corporate aircraft for personal travel, this declaration has as much to do with avoiding taxes as it does with personal safety. If security were not invoked, executives would have to pay taxes on the full cost of their plane tickets. In compiling this data, we used only the publicly disclosed income in corporate proxy statements. Undoubtedly, most executives have additional sources of income that would make their personal tax savings far higher.

Bush tax cut savings: To calculate tax savings, we took total compensation and subtracted $250,000 (both major political parties agree that CEOs and all other taxpayers should continue to enjoy tax cuts under this amount). We then multiplied the remainder by 4.6 percent, the amount that tax rates above $250,000 would rise (from 35 percent to 39.6 percent) if Bush tax cuts for upper income tax cuts were left to expire.