



EDITORIAL BOARD MEMO

To: Editors and columnists

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The Number One Issue This Tax Day

Why Do Many Profitable Fortune 500 Companies Pay Zero Federal Income Taxes?

The public is accustomed this time of year to reading stories about what they pay in taxes. But this misses the biggest issue driving “Tax Day” – the fact that while millions of American families and small businesses dutifully pay their fair share of taxes, many large corporations pay absolutely nothing in federal income taxes.

This isn’t a case of a few outlying examples or companies that are losing money. Evidence shows that in one or more of the past five years, [111 profitable Fortune 500 corporations paid zero federal income taxes](#) (or received refunds), according to a well-regarded report by Citizens for Tax Justice. And 26 of those companies, including General Electric, Verizon and Boeing, paid absolutely nothing over the entire five-year period.

General Electric, the subject of a 2011 Pulitzer Prize-winning series that included a story titled “[G.E.’s Strategies Let It Avoid Taxes Altogether](#),” earned \$27.5 billion in profits between 2008 and 2012. But it also received \$3 billion in tax refunds. [Its effective federal tax rate was negative 11 percent](#).

General Electric paid less in federal income taxes over that entire period than any American family that paid some taxes.

General Electric and 41 other corporations and trade associations are lobbying hard to preserve one of the tax loopholes that enable GE, Wall Street banks and other companies with large financing divisions to avoid paying their fair share of taxes. The loophole – known as the Active Financing Exception – makes it possible for these companies to make it appear that financial profits earned in the United States were actually generated in tax havens like the Cayman Islands. This kind of “profit laundering” is one of the [main mechanisms by which some companies manage to avoid paying taxes](#).

Between January 2011 and September 2013, the organizations lobbying on the “GE Loophole” paid 292 lobbyists to convince members of Congress to pass new legislation necessary to save the loophole, according to [a recent report by Americans for Tax Fairness](#) (ATF). General Electric alone paid 48 lobbyists to press lawmakers to renew the loophole, and it hired all 10 of the top 10 lobbyists working on the issue.

Corporate tax avoidance is particularly newsworthy because a package of more than 50 expired tax breaks – known -as “tax extenders” – which includes the GE Loophole, [was passed by the Senate Finance Committee](#) on April 3. [The Senate plans to vote on the bill later this month](#). But both parties are willing to pass the bill without finding a way to pay for the package of tax cuts, and 100 percent of the [\\$86 billion cost](#) will be tacked directly onto the federal budget deficit. The editors of *The New York Times* called this [“hypocritical” and “outrageous.”](#)

Many Americans would grab their pitchforks if they knew about this – [90 percent of these tax breaks are for businesses](#). And they would be angrier still if they find out that while some members of Congress refuse to extend unemployment benefits for struggling families unless they are paid for, they are perfectly willing to enact large tax breaks for tax dodging corporations without any concern for the deficit. Senate Majority Leader Mitch McConnell flatly stated this position in a [press conference televised on C-SPAN](#).

Passing the tax extenders package will directly harm American families because it will mean that in the future Congress will have to make even deeper budget cuts, if it is unwilling to raise taxes. Congress is poised to act on this soon, but few outside Washington are paying attention.

The lobbyists’ short-term goal is to pass the tax extender package as soon as possible. Their long-term goal is to slash corporate income taxes. A major tax overhaul is highly unlikely to happen until next year, but lobbyists and trade groups are working Congress and conducting a public relations campaign **right now** to make sure that the debate is defined on terms that they are certain to win.

They are trying to focus public attention on the U.S. corporate income tax rate of 35 percent. They say it puts American companies at a competitive disadvantage to foreign firms that pay lower nominal rates. They want the public to think about what corporations are supposed to pay instead of what they actually pay. That’s because many corporations pay a lot less – [averaging little more than half the 35 percent top rate](#) -- 19.4 percent for all 288 companies in the Citizens for Tax Justice report.

Lobbyists also claim that the U.S. has a higher corporate tax rate than other countries and that American companies are therefore put at a disadvantage. But of the 125 companies in the CTJ report with significant offshore profits, [two-thirds paid higher corporate tax rates to foreign governments](#) where they operate than they paid here at home on their U.S. profits.

For these reasons, Americans for Tax Fairness urges you to write about the pressing and compelling issue of corporate income tax rates, highlighting the fact that some Fortune 500 companies pay absolutely nothing. And we hope that you will alert your readers that a tax extenders package is moving now in Congress that will add billions to the deficit and have lasting effects on them in the future.

We thank you for your interest in this important issue.

Americans for Tax Fairness is a diverse coalition of [400 national and state organizations](#) that collectively represent tens of millions of members. The organization was formed on the belief that the country needs comprehensive, progressive tax reform that results in greater revenue to meet our growing needs. ATF is playing a central role in Washington and in the states on federal tax-reform issues.

Resources

The Sorry State of Corporate Taxes, Citizens for Tax Justice <http://bit.ly/1hx8MyZ>

Corporate Lobbying on Tax Extenders and the “GE Loophole,” Americans for Tax Fairness, <http://bit.ly/1gHQB1m>

Picking up the Tab: Average Citizens and Small Businesses Pay the Price for Offshore Tax Havens, U.S. PIRG - <http://bit.ly/1lOp61G> (*an updated version will be available soon*)

Government's Largest Contractors in Corporate Tax Cut Coalition, Center for Effective Government <http://bit.ly/1hpu6Yu>

Tax Haven Abuse by the Numbers, the FACT Coalition <http://bit.ly/1iueNcp>

But Nobody Pays That, Pulitzer prize-winning NY Times series on U.S. tax rates, also useful because the headline sums up the point -- <http://nyti.ms/1e9L4nX>

G.E.'s Strategies Allow it to Avoid Taxes Altogether, NY Times – exactly what the headline says -- <http://nyti.ms/18zJ57V>

Previous Editorial Board Memos by Americans for Tax Fairness

Corporate Tax Package in Congress Threatens to Blow Deficit Sky High -- <http://bit.ly/1gcTVWY>

New Poll: Americans Want to Close Tax Loopholes Benefiting the Rich and Corporations in Next Congressional Budget Deal -- <http://bit.ly/1oR1tro>

The High Price of Tax Loopholes: New Analysis Compares Cost of Corporate Tax Loopholes with Cuts to Benefits and Services -- <http://bit.ly/1sHYL73>

Tax Reform and Budget Battles Heating Up in Washington, D.C. -- <http://bit.ly/1gcMAX7>