



## OXFAM MEDIA BRIEFING EMBARGOED - APRIL 14, 2016

# Broken at the Top

*How America's dysfunctional tax system costs billions in corporate tax dodging*

## Background

*Tax dodging by multinational corporations costs the US approximately \$111 billion each year and saps an estimated \$100 billion every year from poor countries, preventing crucial investments in education, healthcare, infrastructure, and other forms of poverty reduction. US policymakers and a broken international tax system enable tax dodging by multinational corporations, which contributes to dangerous inequality that is undermining our social fabric and hindering economic growth.*

## Introduction:

The gap between rich and poor is reaching new extremes. The richest 1% have accumulated more wealth than the rest of the world put together. Meanwhile, the wealth owned by the bottom half of humanity has fallen by a trillion dollars in the past five years. Just 62 individuals now have the same wealth as 3.6 billion people – half of humanity. This figure is down from 388 individuals as recently as 2010. These dramatic statistics are just the latest evidence that today we live in a world with dangerous and growing levels of inequality.<sup>1</sup>

This inequality is fueled by an economic and political system that benefits the rich and powerful at expense of the rest, causing the gains of economic growth over the last several decades to go disproportionately to the already wealthy. Among the most damning examples of this rigged system is the way large, profitable companies use offshore tax havens, and other aggressive and secretive methods, to dramatically lower their corporate tax rates in the United States and developing countries alike. This practice is called “tax avoidance” or “tax dodging.”<sup>2</sup> Ironically, these same companies, which retain a multibillion dollar army of lobbyists to influence federal policy, are among the largest beneficiaries of taxpayer funded support.<sup>3</sup>

Tax dodging by multinational corporations costs the US approximately \$111 billion each year.<sup>4</sup> But these schemes do not just harm the US. The same tactics corporations use to dodge US tax sap an estimated \$100 billion every year from poor countries, preventing crucial investments in education, healthcare, infrastructure, and other forms of poverty reduction.<sup>5</sup> The harm done to Americans and people living in poor countries by corporate tax dodging are two sides of the same coin.

A new analysis by Oxfam of the 50 largest public US companies<sup>6</sup> sheds light on just how rigged the tax system has become and shows that these same companies are using considerable political influence to push for even greater rewards in the forms of loans, bailouts and other government support. The analysis highlights the vast taxpayer-funded support the largest and most profitable US companies receive even as they engage in aggressive schemes to avoid paying taxes. Using corporate financial, lobbying and investor disclosures, Oxfam found:

- From 2008 – 2014 the 50 largest US companies collectively received \$27 in federal loans, loan guarantees and bailouts for every \$1 they paid in federal taxes.
- From 2008 – 2014 these 50 companies spent approximately \$2.6 billion on lobbying while receiving nearly \$11.2 trillion in federal loans, loan guarantees and bailouts.<sup>7</sup>
- Even as these 50 companies earned nearly \$4 trillion in profits globally from 2008 – 2014, they used offshore tax havens to lower their effective overall tax rate to just 26.5%<sup>8</sup>, well below the statutory rate of 35% and even below average levels paid in other developed countries. Only 5 of 50 companies paid the full 35% corporate tax rate.
- These companies relied on an opaque and secretive network of more than 1600 disclosed subsidiaries in tax havens to stash about \$1.4 trillion offshore. In addition to the 1600 known subsidiaries, the companies may have failed to disclose thousands of additional subsidiaries to the Securities and Exchange Commission because of weak reporting requirements.
- Their lobbying appears to have offered an incredible return on investment. For every \$1 spent on lobbying, these 50 companies collectively received \$130 in tax breaks and more than \$4,000 in federal loans, loan guarantees and bailouts.

Responsibility for setting US tax policy rests with Congress and the President, and real reform of our broken tax system depends on changes in public policy. But multinational corporations, which take advantage of and in some cases aggressively lobby to shape the broken system in their favor, are not mere bystanders. Companies can and must reform their practices as well.

Tax dodging practiced by corporations and enabled by federal policymakers contributes to dangerous inequality that is undermining our social fabric and hindering economic growth. That is why Oxfam is urging Congress and the President to take aggressive measures to crack down on tax haven abuse and bring greater transparency and accountability to corporate tax practices by passing the Stop Tax Haven Abuse Act (S. 174/H.R.297) as a first step to necessary reform. Central to this reform is a mandatory set of new rules that ensure companies publicly report details on where they pay taxes and where they really do their business so they can be held accountable everywhere they dodge taxes. Even without legislative reforms, companies have a responsibility to publicly report their tax practices, end tax dodging and use their political influence to seek a more level playing field on tax, rather than rigging the rules for their own benefit.

## The big picture on tax dodging

In every country in the world tax revenues pay for schools, hospitals, roads, bridges, first responders, social safety nets and other public services that keep societies running and reduce poverty.

Fair tax systems are vital to finance well-functioning and efficient states and to enable governments to fulfill their obligations to uphold citizens' rights to essential services such as healthcare, education and social protection for low income families. A well-designed tax system can ensure that those who can afford it most make the largest contribution.

In developing countries in particular, where there is an immense need to strengthen health and education services for the hundreds of millions of people who still live in extreme poverty, revenues from taxes provide the most sustainable way to pay for teachers, doctors and police officers. Every dollar a developing country can raise in taxes is a dollar it does not need to seek from donors. Ultimately, the only way poor countries will be able to sustain themselves without relying on foreign aid is by creating a strong domestic tax base that can fund the essential public services and functioning governments their populations need.

However, national tax codes, as well as the international tax structure, can instead work in reverse so that the biggest burden falls on the poorest people. The current global tax architecture is secretive and uncoordinated, weakening the ability of governments to collect the taxes they are due. These rules facilitate cross-border tax dodging and the concealment

of wealth. In particular, tax havens and offshore financial centers—which can be characterized by secrecy, low- or zero-tax rates and the almost complete lack of disclosure of any relevant business information—are the most obvious tools used to enable multinational corporations to escape taxes.

Exploiting tax loopholes and engaging in large-scale tax avoidance are integral components of the profit-making strategies of many multinational corporations. Tax avoidance, or tax dodging, means engaging in transactions which serve no commercial purpose other than to decrease the company's tax bill.

Tax dodging can take many forms. US corporations must pay 35% tax on all profits, wherever they are earned around the globe—but only after that money has been “repatriated” back to the US. Companies report that they have more than \$2 trillion of profits “permanently reinvested” abroad to avoid being taxed in the US – but companies actually can use that money in the US without paying tax by borrowing money domestically using these offshore assets as collateral.

Big corporations and their defenders in Washington, DC are quick to decry “double taxation” to justify their attempts to avoid repatriating their foreign profits and any attempts to close tax loopholes. But this excuse is a red herring. Companies receive a dollar-for-dollar credit for any amount of tax they pay to other countries. When US companies pay taxes to a foreign government, they lower their US tax bill by the same amount, so the profits are not taxed twice.

As a way to avoid paying the US's 35% statutory rate, companies artificially shift the ownership of assets (like patents or other intellectual property) to subsidiaries that exist only on paper in tax havens. For example, a US company might transfer its intellectual property rights to a Cayman Islands subsidiary, even if the underlying technology was developed in the United States. The US subsidiary of the company would then pay royalties to the Caymans subsidiary to use that intellectual property. That payment would decrease the profit of the US subsidiary, which faces the US tax rate, and boost the profit of the Caymans subsidiary, which faces a low rate.

Even more insidious, companies engage in “earnings stripping” as another way to avoid paying their fair share of taxes. A subsidiary in a high tax country can borrow from a subsidiary in a low tax country enabling the parent company to essentially pay artificially high interest rates to itself. For the global company as whole, it's a wash – profits on one side match losses on the other – and no real business activity has occurred, except that the company's global tax bill is lower.

Perhaps the worst form of tax avoidance is an inversion—when a US company renounces its US citizenship by buying a foreign subsidiary in a low-tax jurisdiction, where it reincorporates. In some cases, nothing changes about the actual business—the new inverted company remains headquartered in the US and still conducts business from the US, enjoying all the advantages of the US market, but no longer pays its rightful share of US taxes.

Governments, including the US, are so far failing to crack down on the global practice of tax avoidance and the associated network of tax havens which enable it. Rather than coming together to stem harmful competition between countries, they are fighting to win a destructive race to the bottom that leaves everyone worse off.

Profits disappear from countries where real economic activity is taking place to exist only in tax havens. In 2012, for example, US companies reported \$80 billion of profits in Bermuda – more than their reported profits in Japan, China, Germany and France combined. This huge amount – 3.3% of all profits made by these companies worldwide – clearly does not reflect the real economic activity taking place in Bermuda, where total sales account for only 0.3% and the share of total number of employees or total wage costs is a tiny 0.01–0.02%.<sup>9</sup>

In 2012, the IRS reported that 59% of foreign earnings reported by US multinational companies were on the books in just 10 notorious tax havens. That year US multinational companies reported earning \$104 billion in profits in Bermuda alone, 1884% of the country's GDP.<sup>10</sup>

The problem is not just Bermuda. As a group, US multinationals report that 43% of their foreign earnings come from five tax haven jurisdictions, yet these countries accounted for only 4% of the companies' foreign workforces and just 7% of their foreign investment.<sup>11</sup>

In fact, in 2012 US multinational companies shifted between \$500 and \$700 billion in profits from countries where their real economic activities took place to countries where lower effective tax rates apply.<sup>12</sup> The misalignment with economic activity corresponds to roughly 25% of their total gross profits. In other words, \$1 out of every \$4 of profits reported by large US companies was not booked where the real economic activity took place.<sup>13</sup>

US companies appear to have dramatically increased their use of tax havens over the last 30 years. UC Berkeley economist Gabriel Zucman estimates that the share of total corporate profits US companies report in tax havens has increased tenfold since the mid 1980's.<sup>14</sup>

### The Share of Tax Havens in US Corporate Profits

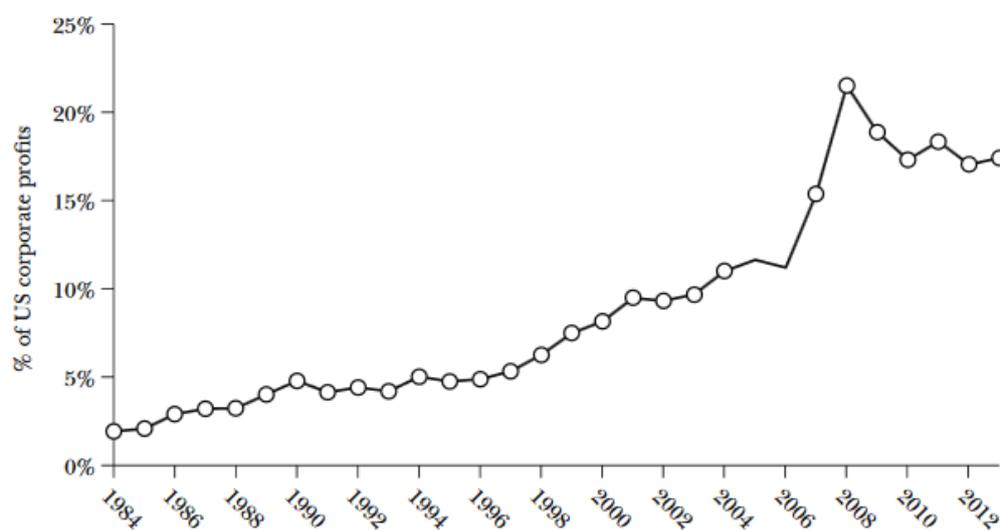


Figure 1: The Share of Tax Havens in US Corporate Profits<sup>15</sup>

As tax returns from multinational companies fall short of their potential, governments often turn to two options: either cut back on the essential investments needed to reduce inequality and deprivation or make up the shortfall by levying higher taxes on working families and small businesses in the domestic economy. Both options see the poorest people lose out and the inequality gap grow.

Indeed in 2014, facing demands to slash spending on anti-poverty aid, Congress slashed one of its premier safety net programs, the Supplemental Nutrition Assistance Program (SNAP) - better known as food stamps - by \$8.7 billion, causing 850,000 households to lose an average of \$90 per month.<sup>16</sup> In fact, since 2010, federal policymakers have cut 85% of US federal programs supporting low income families.<sup>17</sup>

Chronically underfunded anti-poverty efforts took ever deeper cuts, leaving them with less funding today than six years ago. Consider low-income housing assistance, where already trim budgets mean only about one in every four eligible poor families receive rental assistance. Because of budget cuts, local housing agencies have had to further reduce the number of available housing vouchers, leaving 100,000 families without assistance.<sup>18</sup>

According to the National Low Income Housing Coalition, there isn't a single state or county anywhere in the country where a full-time minimum wage worker can afford even the

average one bedroom apartment.<sup>19</sup> In communities such as the Silicon Valley region of California, where housing prices continue to skyrocket, many low-wage service workers pay as much as half of their income on housing alone—often packing three or more generations and extended families into one apartment or home.<sup>20</sup> At a time when housing assistance has become vital to support the growing numbers of low-wage workers and their families, tax avoidance has starved governments at all levels of critically needed revenue.

Recently, the water crisis in Flint, Michigan, a city where 40 percent of the population lives below the poverty line, has highlighted how falling tax revenues and budget cuts can directly impact vital services and infrastructure in America's poorest communities. As the city of Flint faced financial troubles, the state installed an emergency manager to help the city find cost savings. Among one of the many cost cutting moves he pursued was to change the municipal water source—from the Flint River rather than the Detroit water system. The change eventually led to the corrosion of water pipes across Flint, allowing dangerously high levels of lead to enter the water system. As a result, as many as 8,000 children were exposed to hazardous levels of lead contamination that will have irreversible lifelong effects on brains and nervous systems.<sup>21</sup>

In other low income communities, hundreds of thousands of children are exposed to dangerous levels of lead in their drinking water. In fact, in some communities, such as Houston County in Alabama, Clairborne Parish in Louisiana, and Tyler County in West Virginia, 20-58% of children have tested positive for lead poisoning.<sup>22</sup> According to a 2013 study from the Center for Disease Control (CDC), 1.6 million children 1-5 years old have elevated lead levels.<sup>23</sup> Still, despite these crises, Congress has actually cut CDC expenditures to programs that help children dealing with lead poisoning by 55% since FY 2010.<sup>24</sup>

While the US, and other developed countries, clearly lose revenues as a result of profit shifting, often poor countries are even worse off because public revenues in developing countries are more dependent on the taxation of large businesses. Recent IMF research indicates that revenue loss to developing countries is 30% higher than for OECD countries as a result of profit shifting activities by multinational companies.<sup>25</sup> Moreover, public resources to fund education, healthcare and basic infrastructure are sorely needed in poor countries where spending per capita on these basic essential services is dwarfed in comparison to large economies.<sup>26</sup>

Poor countries generally raise lower taxes as a fraction of the economy than richer countries. This is one reason public services, like health and education are so weak in these countries. To raise revenues, developing countries rely more heavily on corporate income taxes than advanced economies, with corporate income taxes making up 17 percent of total revenues for developing country budgets, compared to around 10 percent for advanced countries.<sup>27</sup> Revenue losses through corporate tax avoidance are therefore even more harmful to poor people in poor countries.

## Do corporations pay their fair share of taxes?

A 2015 Gallup poll found that nearly seven in ten Americans believe corporations pay too little in federal taxes.<sup>28</sup> Yet many members of both parties and business leaders have argued the exact opposite, that corporate taxes are too high and the drastic tools companies use to lower their tax rates are justified because they are legal.<sup>29</sup>

Looking at the 50 largest public US companies paints a striking picture that challenges the notion that companies' aggressive efforts to reduce their taxes below the statutory rate and to lobby for even lower rates are justified.

Oxfam America collected data across nine metrics for each of the 50 companies to measure: federal loans, loan guarantees and bailouts received, profits, federal taxes paid, total tax paid globally, effective tax rate, tax "breaks," money held offshore, subsidiaries in tax havens and federal lobbying expenditures. All of the information we present in this publication is

based on publicly available data, most provided by the companies themselves in their annual 10-K filings with the SEC. A detailed description of our methodology for each of the nine metrics we present is available at the end of this paper.

Oxfam found that from 2008 – 2014, the top 50 US corporations, cumulatively:

- Paid \$1 trillion in taxes globally, \$412 billion of which was paid to the US federal government;<sup>30</sup>
- Received \$11.2 trillion in support in the form of loans, loan guarantees and bailout assistance from the federal government;<sup>31</sup>
- Made \$4 trillion in profits;
- Reported an average overall effective tax rate of 26.5%, 8.5% lower than the statutory rate of 35%;<sup>32</sup>
- Received \$337 billion in tax “breaks”;<sup>33</sup>
- Currently hold \$1.4 trillion in offshore cash reserves;
- Disclosed 1608 subsidiaries in offshore tax havens;<sup>34</sup> and
- Spent \$2.6 billion on lobby expenditures.

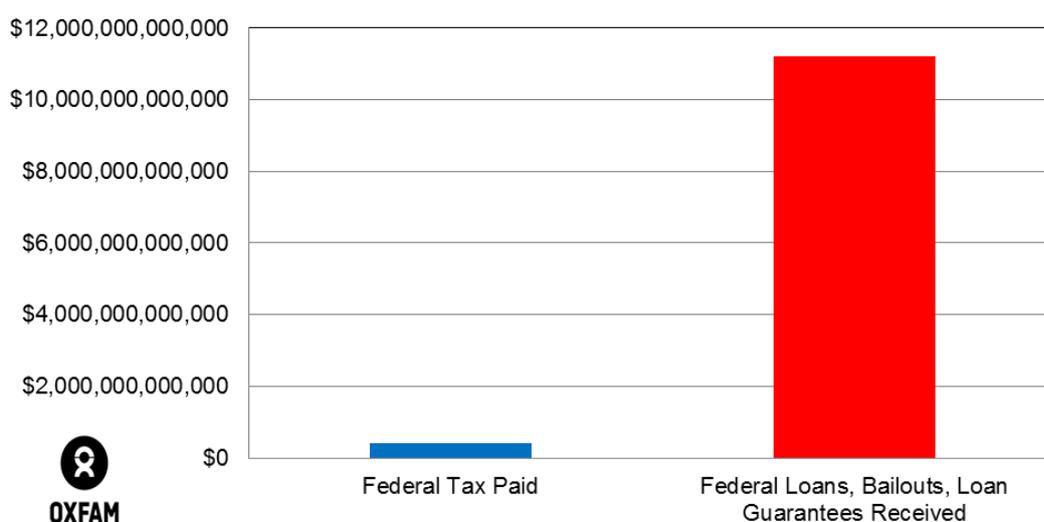
These 50 companies collectively earned \$4 trillion in profits from 2008 - 2014, and received approximately \$27 in federal government loans, loan guarantees and bailouts for every \$1 they paid in federal taxes during that period (figure 2).

There is no doubt that data from this time frame is shaped heavily by the federal programs, like the auto-bailout and TARP, that were created to deal with the largest economic crisis since the Great Depression. Additionally most loans and bailouts are paid back in full with interest. There are also relevant distinctions to be made between companies and sectors on their tax practices and their receipt of federal support.

Companies benefit in different ways from federal investments and from tax laws, only some of which are revealed in the data Oxfam analyzed. The data also does not show the value of other forms of federal support that companies receive beyond loans, loan guarantees and bailouts.

Nonetheless, the data is useful to observe in aggregate because it puts in stark relief the taxpayer financed benefits large companies in general enjoy in relation to the taxes they pay.

**Corporate Taxes vs Federal Support for 50 largest US companies 2008-2014**



**Figure 2: Federal Tax Paid vs Federal Loans, Bailouts, Loan Guarantees Received by 50 largest US companies 2008-2014**

Collectively these 50 companies paid an effective tax rate of just 26.5% overall, 8.5% lower than the statutory rate of 35% and just under the average of 27.7% paid by other developed countries.<sup>35</sup> This rate accounts not just for the taxes paid to the federal government, but taxes companies reported paying to states, localities and foreign governments. When you look just at taxes paid to the US federal government, it amounts to approximately 10% of the companies' overall profits.

This is an extremely generous estimate of company tax payments taken directly from corporate disclosures. It incorporates "deferred tax liabilities" which are not actually paid in the year they are estimated. It is an intentionally conservative assessment to give maximum benefit of the doubt to companies. Other methodologies have shown that the true effective tax rates for large companies may be substantially lower. A 2014 study by Citizens for Tax Justice examined five years of data and found that Fortune 500 companies paid an average federal effective corporate income tax rate of just 19.4 percent, just over half of the 35% statutory rate.<sup>36</sup>

Companies low tax rates are the result of various tax expenditures, loopholes and specific tax breaks. The 26.5% rate effectively allowed companies to underpay \$337 billion over the 7 year period between 2008 and 2014.<sup>37</sup>

This amounts to an annual federal tax expenditure of more than \$48 billion. In other words, the federal government spends roughly twice as much on tax "breaks" for these 50 companies alone as it does on poverty focused foreign aid each year.<sup>38</sup>

The tax "breaks" for these 50 companies alone cost the US government roughly twice as much every year as 47 of the poorest countries in the world spend on education for all of their roughly 932 million citizens combined.<sup>39</sup>

The numbers make one thing crystal clear: companies are heavily reliant on taxpayers and the government and have an obligation to recognize this mutual responsibility when it comes time to pay their taxes.

It may ultimately be the case that offering \$11.2 trillion in federal loans, loan guarantees and bailouts to the 50 largest companies is a worthwhile investment for the US government to make. And there is no doubt that companies contribute to society in numerous ways, through economic growth, job creation, products, services, innovation and countless other valuable additions to our culture and economy, including their charitable donations and corporate social responsibility efforts.

But the same can be said of individuals and small businesses who do not engage in extraordinary measures to avoid their taxes. Government needs revenue to function, and taxpayers cannot reasonably be expected to stand behind costly federal support to profitable companies if the companies that receive them are not even willing to pay their rightful share of taxes.

At an absolute minimum taxpayers and investors should be able to see where companies that benefit from federal government support pay their taxes and where they do business.

## Offshore subsidiaries and DC Lobbyists

The public data Oxfam analyzed offers some valuable evidence of the aggressive measures companies take to reduce their tax rates. Companies were able to lower their rates in part by stashing \$1.4 trillion offshore and relying on a massive network of more than 1600 subsidiaries in tax havens. These subsidiaries are part of a complex network used to shift profits, which lower companies' tax burden in the US and everywhere else they do business.

Companies generally report their offshore funds as earnings "permanently reinvested" in certain foreign subsidiaries. In 1986 Congress amended a law designed to prevent corporate cash-hoarding and began to allow companies to hold unlimited amounts of untaxed earnings

offshore. As a result, Fortune 500 companies collectively disclose that they hold more than \$2.4 trillion offshore.<sup>40</sup> The regulations have extremely loose standards for when a corporation can claim its subsidiary is “located” in a tax haven and, as a result, avoid paying taxes on its earnings that remain “offshore” with that subsidiary.

The current system of secret subsidiaries is laughably artificial. US law does not even require that subsidiaries have any physical presence in offshore locations like the Caymans beyond a post office box, and often the “offshore” subsidiary still has a US billing address. A single small office building in the Cayman Islands serves as the registered address for 18,857 companies.<sup>41</sup>

Additionally, these “offshore” earnings are often actually kept in US bank accounts or held as US assets.<sup>42</sup> A Senate investigation of 27 large multinationals with substantial amounts of cash that was supposedly “trapped” offshore found instead that more than half of the offshore funds were already invested in US banks, bonds, and other assets.<sup>43</sup>

Additionally, because of very weak disclosure rules, the 1600 subsidiaries that the top 50 companies disclosed to the SEC may be just the tip of the iceberg. The SEC only requires companies to disclose what they deem “significant subsidiaries.” These are subsidiaries where either 1) the investment in the subsidiary constitutes more the 10% of the corporation’s total consolidated assets or 2) the income from the subsidiary exceeds 10% of the corporation’s total consolidated income.<sup>44</sup>

There is evidence that this weak standard enables companies to hide vast numbers of subsidiaries. As an illustration of the very limited effect of current disclosure requirements, in 2014, the four largest US finance companies collectively disclosed 1,858 subsidiaries to the SEC. But to the Federal Reserve, which requires fuller disclosure for financial institutions but not other kinds of companies, these same four companies disclosed a jaw-dropping 10,688 subsidiaries.<sup>45</sup> Most large companies are not required to disclose information on their subsidiaries to the Federal Reserve. At minimum, large US companies should be required to disclose whether or not they have an immense network of thousands of undisclosed subsidiaries lurking in tax havens.

Company disclosures also indicate large, sustained investments in federal lobbying muscle. It should surprise no one that large corporations expend substantial resources on lobbying. What may be most shocking is how massive the return on this investment appears to be.

The overall scope of lobbying activity to shape public policy is immense. Each Member of Congress in Washington, DC is trailed by an average of 21 lobbyists and subject to \$6,000,000 in spending to influence their votes every year.<sup>46</sup>

The top 50 companies spent roughly \$2.7 billion on lobbying from 2008 – 2014. That means for every \$1 they invested in shaping federal policy through lobbying, they received \$130 in tax breaks and more than \$4,000 in federal loans, loan guarantees and bailouts.

The data does not indicate precisely what portion of the federal support companies receive is directly a result of their lobbying. It does show that on the whole the various investments companies make to influence policy in Washington are paying off.

This is in line with research on the power of lobbying to unlock lower tax rates for companies. Researchers at the University of Texas, UC San Diego and NYU have found that increasing registered lobbying expenditures by 1% appears to lower effective tax rates by up to 1.6% in the following year.<sup>47</sup> In other words the more you spend on lobbying, the less you have to pay in taxes.

## The cost of tax dodging in the US

The US loses as much as \$111 billion each year due to corporate tax dodging.<sup>48</sup> We should not lose sight of why tax dodging matters to average people. This loss of revenue prevents

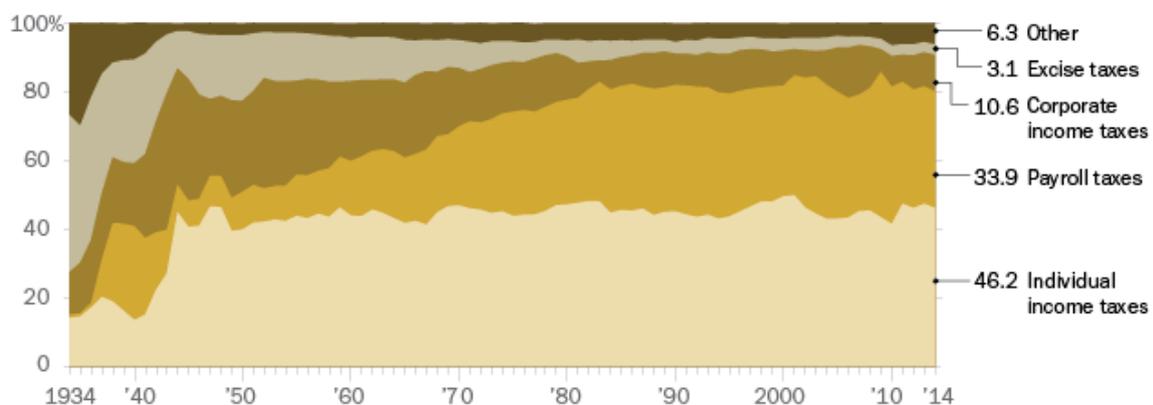
adequate investment in education, infrastructure and other critical public needs that can reduce poverty, create jobs and build greater economic opportunity.

This is part of a larger trend that has seen federal revenues from corporate taxes steadily decline, forcing the US to seek revenues elsewhere, often in taxes that place a disproportionate burden on the poor.

In the US, the share of government operations supported by corporations has dropped by two-thirds in the last 60 years. In fiscal year 2014, the US federal government collected \$320.7 billion from corporate income taxes or 10.6% of its total revenue, down from 32% in 1952.<sup>49</sup> This trend is not accidental; it is the result of policy choices sought by special interests that have contributed to growing inequality.<sup>50</sup> The cost of corporate taxes is more likely to be borne by the wealthy than other kinds of taxes.<sup>51</sup> The corporate income tax is borne mostly by shareholders in the form of reduced stock dividends. Wealthy Americans receive the lion's share of these dividends.<sup>52</sup>

### How the U.S. Government is Funded

*% of total revenue*



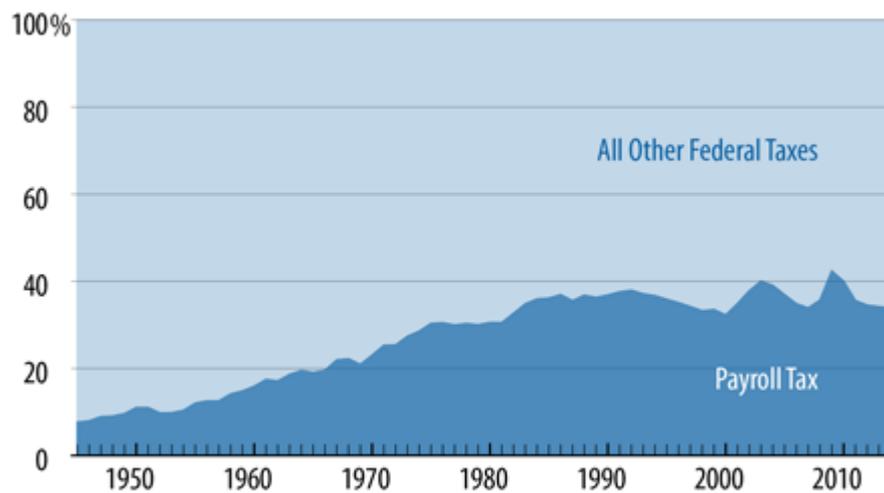
Source: Office of Management and Budget

PEW RESEARCH CENTER

**Figure 3- US Government revenue sources**

Meanwhile payroll taxes, which require low- and moderate-income taxpayers to pay more of their incomes than high-income people, on average, have played a larger role in funding federal programs.<sup>53</sup>

## Payroll Taxes as a Share of Federal Revenues, 1945-2014



Note: "Other federal taxes" include individual and corporate income taxes, estate and gift taxes, excise taxes, profits on assets held by the Federal Reserve, customs duties and fees, and other smaller revenue.

Source: Office of Management and Budget

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

**Figure 4- US government payroll taxes as share of federal revenues**

This shift to more regressive sources of revenue has occurred in part because corporate tax receipts have not kept pace with the overall growth of the US economy. Since 1980, according to the US Bureau of Economic Analysis, inflation-adjusted gross domestic product has risen 149%, while inflation-adjusted corporate tax receipts rose just 84.5%.<sup>54</sup>

There is clear evidence that corporate tax receipts have declined as a direct result of profit shifting to tax havens. UC Berkeley economist Gabriel Zucman estimates that over the last 15 years, the effective corporate tax rate of US companies has declined from 30 to 20 percent, and about two-thirds of this decline can be attributed to increased profit-shifting to low-tax jurisdictions.<sup>55</sup>

While the benefits of lower corporate taxes accrue disproportionately to the already rich, the missing revenue is a lost opportunity to address real human need. For example, \$111 billion could have helped lift 60% of poor kids in the US out of poverty and created an additional 620,000 jobs rebuilding America's crumbling infrastructure.

The Children's Defense Fund has estimated that it would cost \$77.2 billion to reduce child poverty in the US by a staggering 60%.<sup>56</sup> Closing tax loopholes that allow US corporations to shift profits to subsidiaries in tax havens would be more than enough to pay for this with more than \$33 billion to spare.

Putting that \$33 billion towards infrastructure could help create hundreds of thousands of jobs. A recent Duke University study estimated that each \$1 billion of federal transportation infrastructure investment can support approximately 21,761 jobs.<sup>57</sup>

Spent differently, the \$111 billion raised from closing offshore tax haven loopholes would offer more than enough revenue to avoid all of the cuts to both defense and non-defense spending passed in the "sequester" as part of the 2011 Budget Control Act.<sup>58</sup> These cuts had a disproportionate effect on programs serving low income people.<sup>59</sup>

If the \$111 billion were instead spent on fighting global poverty, the US could quadruple its funding for poverty-focused foreign aid.<sup>60</sup>

Decisions over which particular programs get funded are political and go beyond a simple question of how much money is paid in taxes. An adequate tax base is a necessary, but not sufficient, condition for the existence of proven poverty-fighting programs. But these

numbers illustrate the types of positive investments that could be made with the revenue that currently goes uncollected.

## The cost of tax dodging in poor countries

The US political dialogue tends to focus on the role of offshore tax havens in reducing revenue to the US Treasury. But less discussed in America is that big companies, many of which are headquartered in the US, use the exact same mechanisms to avoid tax payments in some of the poorest places on earth. The UN estimates that tax dodging by multinational companies costs developing countries \$100 billion every year.<sup>61</sup>

It is not surprising that tax dodging hurts poor countries in particular. Earnings stripping techniques rob the source country, where the income is earned, for the benefit of the corporation's owners who are usually in the United States or another wealthy country.

Taxes paid, or unpaid, by multinational companies in poor countries can be the difference between life and death, poverty or opportunity. \$100 billion is four times what the 47 least developed countries in the world spend on education for their 932 million citizens.<sup>62</sup> \$100 billion is equivalent to what it would cost to provide basic life-saving health services or safe water and sanitation to more than 2.2 billion people.<sup>63</sup>

Some multinational companies operating in poor countries take advantage of loopholes to reduce their tax bills while simultaneously negotiating tax exemptions from governments desperate to attract investment and spur growth. Governments in developing countries give away an estimated \$138 billion each year in statutory corporate income tax exemptions.<sup>64</sup>

Take, for example, Bangladesh. Poverty in the country is deep and widespread; almost half of the population lives on less than one dollar per day.<sup>65</sup> It is ranked 142 out of 188 countries on the UN's Human Development Index and is in desperate need of investments to help improve conditions for its people.<sup>66</sup> The National Board of Revenue of Bangladesh estimates that multinational companies siphon off about \$1.8 billion from the country each year through transfer mispricing, a widespread technique in which corporations manipulate the price of internal company transfers of goods and service between subsidiaries to dodge taxes.<sup>67</sup> As a result, the government has been deprived of around \$310 million every year in tax revenue. This sum could pay for around one-fifth (20.4%) of the primary education budget in Bangladesh – vital resources in a country where there is only one teacher for every 75 primary school-aged children.<sup>68</sup>

In Peru, an audit by the country's tax administration of just 27 cases of transfer mispricing in 2013 revealed undeclared earnings of \$350 million, representing an estimated \$105 million in evaded taxes. If authorities could monitor and audit all transfer pricing operations the Peruvian government could collect an estimated \$3.36 billion in additional tax revenues at that rate, equivalent to 84% of the country's education budget.<sup>69</sup>

African leaders, including former UN Secretary General Kofi Annan, have pointed out that Africa loses more money each year to tax dodging than it receives in international development assistance. He has made vocal appeals to the international community for reform saying, "Africa has lost its tolerance for exploitation by the rest of the world. Africa's people expect a fair share of the wealth beneath their soil and territorial waters."<sup>70</sup>

## What can be done?

"Our corporate tax code is crammed with market-distorting carve outs. And the way we tax American businesses selling goods and services abroad is leaving trillions of dollars of capital sitting overseas."- House Speaker Paul Ryan (R-WI)

"Our international tax system is upside down and inside out. It creates incentives to send jobs and stash profits overseas, rather than creating jobs and economic growth here in the United States."- Sen. Chuck Schumer (D-NY)

Consensus on any issue in Washington is rare, particularly issues as contentious and ideological as taxes. But, judging by the rhetoric of some of the leading Republicans and Democrats in Congress, the beginning of consensus, or at least compromise, on reforms to international corporate tax rules is forming.

The conventional wisdom posits that US corporations face unfair burdens because of outdated, Kennedy-era laws set up before globalization and technological innovation transformed the global economy. The United States, the argument goes, has become less competitive abroad because of its worldwide system of international taxation while other countries have adopted modern international tax rules to help their companies and workers compete in the global marketplace. In short, US corporate taxes are too high, too complex and burdensome and encourage companies to move abroad and stash their profits offshore to the detriment of American workers and the US Treasury.<sup>71</sup>

Like most conventional wisdom, this reasoning is based on a kernel of truth. US and global tax rules are in desperate need of reform. But, the policy solutions put forward in existing tax reform proposals do little to address the underlying structural pressures. In a globalized economy, how do you set rates low enough to compete with countries with a tax rate of zero?

The answer is you don't. Rather than competing to win a race to the bottom, international tax reform needs to be built on a new framework of cross-border cooperation, transparency and accountability. Policies need to bring the public, investors and consumers into an ongoing dialogue with companies to help ensure that decisions about tax become embedded in broader discussions around corporate responsibility. Only when companies see the taxes they pay as a key pillar of the social compact they have with their customers and the public will we begin to end the era of tax havens.

Transparency is only the first step and must be matched by aggressive measures to crack down on tax havens, including sanctions and other punitive approaches to help prevent tax haven jurisdictions from undermining the global tax system altogether.

At the top of the list of US policy reforms necessary to crack down on tax havens is mandatory public Country by Country Reporting (CBCR). CBCR requires companies to disclose basic information on where they do business and where they pay their taxes so that they can be held to account when their tax payments are clearly misaligned with their economic activity.

The US made a general commitment to pursue new CBCR rules in the recent Base Erosion and Profit Shifting (BEPS) agreements struck by the G20 under a processes led by the Organization for Economic Cooperation and Development (OECD). The US Treasury Department is pursuing a modest new rule requiring greater CBCR by certain companies, but the draft rule applies to a very narrow set of companies and does not require these companies to make this information public, hampering real accountability.<sup>72</sup> Ultimately Congress will need to act in order to ensure that even these modest commitments to the G20 are met.

Congressional inaction today means that the US is a laggard compared to other developed countries. The EU has already passed CBCR rules for banks and is expected to pass new CBCR rules that would cover 10-15% of multinationals this summer. These are an important first step, although much stronger efforts by EU governments are needed.<sup>73</sup>

An existing proposal in Congress would address many of these challenges and begin to put the US on equal footing with Europe. A bill known as the Stop Tax Haven Abuse Act includes a number of critical measures to help rein in corporate tax abuse, including CBCR. The Stop Tax Haven Abuse Act would authorize special efforts to improve US tax enforcement to crack down on tax havens, change the treatment of foreign corporations that are controlled by US companies to restrict "paper subsidiaries" and boost transparency

through CBCR reporting and new beneficial ownership disclosure requirements alongside a range of other measures to crack down on tax dodging.

Congress and the President should quickly pass the Stop Tax Haven Abuse Act as the first necessary step to put an end to the era of tax havens.

## What is responsible corporate tax practice?

Multinational companies need not wait for congressional action to implement basic steps to pay their fair share of tax. Numerous companies have come under fire in recent months over accusations of tax abuse.<sup>74</sup> These companies tend to follow a familiar pattern of denying any wrongdoing while claiming their tax practices fall well within the bounds of the law.

Transparency is a necessary first step. Companies should publicly disclose their revenue, profits, taxes paid, number of employees, and public subsidies received for every subsidiary in every country in which they operate. Until companies are willing to publicly disclose basic information on where they pay their taxes and where their economic activity takes place, it is impossible to verify the accuracy of the claims they make about their tax practices. If companies truly believe they have nothing to hide, disclosure offers little risk.

It is the lack of disclosure, matched with clear evidence that companies are moving large shares of their profits into low or zero tax jurisdictions, that has put some of the largest US companies under the harsh glare of negative publicity caused by damaging accusations from government officials and civil society.

Companies must also commit to aligning their tax payments with their actual economic activity. Running profits through tax havens, stashing money offshore, and other aggressive tax avoidance mechanisms are not sustainable strategies for growth. Companies that employ armies of accountants to juice their profits by minimizing their tax obligations—rather than investing in the services and products that create value for their customers—face significant financial, legal and reputational risks.

When corporations fail to pay their fair share in tax, we all pay the price in the long run. Taxes are an investment in our shared future. They pay for the schools, roads, bridges, legal systems, national defense and first responders that companies rely on. When corporations avoid taxes, working families and small businesses must make up the difference. The same can be said of communities where businesses operate around the world.

Government regulators, media watchdogs and civil society organizations are increasingly holding corporations accountable for their tax practices. High-profile investigations by policymakers and journalists in the US and in Europe have resulted in significant fines, and, perhaps more importantly, massive reputational hits.<sup>75</sup> Companies invest a huge amount in their public reputation, including significant corporate social responsibility efforts. But failure to pay their fair share of taxes imperils this good will.<sup>76</sup> Companies that see themselves—and want to be seen by others—as responsible corporate citizens cannot dodge their tax obligations.

With companies' finances and reputations on the line, investors are taking note of company tax practices. The UN recently convened a group of global investors to produce a guide for how shareholders should engage on tax with the companies in which they invest. The guide makes the business case for why investors should be wary of companies that practice aggressive tax planning and should push companies to be more transparent about their tax policies.<sup>77</sup>

Finally, companies must use their considerable political influence to seek a more level playing field on tax, rather than trying to rig the rules for their private gain. The nearly \$3 billion the 50 companies in this report have spent on federal lobbying over the past seven years is just the top of the iceberg—many companies cloak their attempts to influence policymakers by funneling donations through trade associations, industry groups and think

tanks that then promote the corporations' agenda by trying to preserve corporate loopholes and the unequal status quo.<sup>78</sup>

Companies should be transparent about all their attempts to influence policy, and they should use their influence to support legislation like the Stop Tax Haven Abuse Act that creates a more level tax playing field, rather than undermining it.

## Recommendations:

Oxfam calls on Congress and the President to pass the Stop Tax Haven Abuse Act and implement aggressive public Country by Country Reporting requirements for all multinational companies headquartered in the United States.

Rather than engaging in a mutually destructive race to the bottom, the US should stake out a leadership role in addressing structural problems in the global tax system. The US should push for a truly inclusive process where all governments are able to build mutually beneficial tax rules that improve information sharing, transparency and accountability globally.

Oxfam has previously published a [comprehensive set of recommendations](#) for responsible corporate tax behavior. That report lays out a detailed series of actions that companies can take to exercise leadership on transparency, tax planning, engaging with tax authorities, governance, tax incentives and lobbying.

### **“Getting to Good” on Corporate Taxation:**

Together with Christian Aid and ActionAid, Oxfam recently published a [report](#) that lays out a pathway for corporations to follow to practice responsible corporate tax behavior. The report states:

A tax responsible company:

- Is radically and proactively transparent about its business structure and operations, its tax affairs and tax decision-making;
- Assesses and publicly reports the fiscal, economic and social impacts (positive and negative) of its tax-related decisions and practices in a manner that is accessible and comprehensive;
- Takes steps – progressively, measurably and in dialogue with its stakeholders – to improve the impact of its tax behaviour on sustainable development and on the human rights of employees, customers and citizens in the places where it does business.

As a first step towards implementing these policies Oxfam calls on all US multinational companies to:

1. Publicly report revenue, profits, taxes paid, number of employees, subsidies received and other key financial metrics for all corporate subsidiaries aggregated at the country level in every country in which they operate.
2. End corporate abuse of tax havens and pay taxes where actual economic activity takes place.
3. Publicly disclose all contributions made to policymakers, trade associations, think tanks and other political entities to influence tax policy.
4. Publicly support a level playing field on corporate taxation by supporting the Stop Tax Haven Abuse Act.

## Methodology

Oxfam America collected data across nine metrics for each of the 50 companies<sup>79</sup> to measure taxes paid, taxes avoided, federal support received and lobbying expenditures. All of the information we present in this publication is based on publicly available data, mostly

provided by the companies themselves in their 10-K filings with the SEC. This section describes the methodology for each of the nine metrics we present.

Oxfam America reached out to all companies named in this report to share the findings of our research prior to publication. Many of the companies responded to engage with us on our methodology or provide additional information, clarification or context. This report incorporates that feedback.

### **Federal Support**

The “federal support” metric captures the amount each company received or was a beneficiary of in federal loans, loan guarantees and bailout assistance from the US federal government from 2008 to 2014. The Good Jobs First Subsidy Tracker creates a list of individual subsidies received by companies and calculates the sum for federal loans, loan guarantees and bailout assistance (excluding repayments).<sup>80</sup> The data on these types of federal support comes from:

- The Federal Reserve,<sup>81</sup>
- Treasury Department,<sup>82</sup>
- Overseas Private Investment Corporation (OPIC),<sup>83</sup>
- Federal Deposit Insurance Corporation,<sup>84</sup>
- Internal Revenue Service,<sup>85</sup>
- USA Spending,<sup>86</sup>
- Data.gov,<sup>87</sup>
- Quarterly Report to Congress of the Office of the Special Inspector General for the Troubled Asset Relief Program,<sup>88</sup>
- Municipal Securities Rulemaking Board EMMA database,<sup>89</sup>
- Mississippi Department of Finance and Administration,<sup>90</sup>
- America International Group,<sup>91</sup>
- New York City Independent Budget Office,<sup>92</sup>
- Appendix to GAO testimony to House Subcommittee on Investigation, May 30, 2014,<sup>93</sup> and
- Louisiana Treasury Department.<sup>94</sup>

In some circumstances, the company was the beneficiary of a loan guarantee from the Export-Import Bank or OPIC that encouraged third party companies to purchase the company’s products or services. Some of the companies challenged our inclusion of these funds, but we stand by our methodology. Although the companies in our study were not the direct recipients of the loan guarantees, these companies were direct beneficiaries and the Export-Import Bank and OPIC listed them as a party to the deal.

The Good Jobs First Subsidy Tracker’s list of individual subsidies received by companies also includes federal grants and allocated tax credits. Oxfam America chose to exclude this data because we wanted to have a clear definition of federal support. Mixing grants and tax credits with loans, loan guarantees and bailout assistance is potentially confusing or misleading because it conflates amounts that may have been repaid with those that have not.

Because many of these loans were paid back, the ultimate cost borne by the US government is not 1 to 1. However, these are subsidies and programs not available to the average individual or small business. Often, as in the case of large bailouts, the federal government is the only possible source of funding available to companies.

Moreover, the calculations of federal support are conservative estimates of the dollar value of benefits enjoyed by companies from federal spending. The figures do not account for the value companies receive in direct grants or contracts, from federal funding for the judicial system, law enforcement, public safety, an educated workforce, transportation and other infrastructure, R&D and countless other shared services. They do not account for the safety net programs, which many employees, even of large corporations, rely on to supplement pay levels that fall short of a living wage.

Just as Oxfam's estimates do not count the full extent of the benefits companies enjoy, they do not measure the contributions to society that companies create through economic growth, job creation and numerous other valuable additions to our culture and economy, including their charitable donations and corporate social responsibility efforts.

### **Amount Paid in US Taxes**

The second category - amount paid in US taxes - is made up of five metrics. Using the companies' annual 10-K reports filed with the SEC, we calculated each company's total profits, federal income tax paid and total tax paid for the years 2008 to 2014. We then used the total profits and total tax paid to calculate the companies' effective tax rate and the amount they underpaid in taxes compared to the statutory rate of 35%.

#### Profits

In the companies' annual 10-K reports, the Income Statement provides a figure for "earnings before income taxes" that represents the company's profits for income tax purposes.<sup>95</sup> We added together "earnings before income taxes" for years 2008 through 2014 to calculate each company's profits for this period. We used "earnings before income taxes" from the Income Statement and did not manipulate this figure by including or excluding certain other types of income to remain consistent with the companies' own approach in presenting their tax figures and calculating their effective tax rates.

#### Federal Income Tax Paid

In the 10-K reports, the Income Tax footnote to the financial statements provides the components of the company's income tax or benefit, broken down by current and deferred amounts for federal income tax, state and local income tax and foreign income tax. We used both the current and deferred amounts for federal taxes to remain consistent with the companies' own approach in presenting their tax figures on their Income Statements and calculating their effective tax rates. We calculated the total current and deferred federal income tax provision for each company from 2008 through 2014.

#### Total Tax Paid

In the 10-K reports the Income Statement provides a figure for "income tax provision" which represents the company's current and deferred income tax expense or benefit for federal, state and local and foreign taxes. We added together years 2008 through 2014 to calculate each company's total tax provision for this period. We used "income tax provision" from the Income Statement and did not manipulate this figure by excluding deferred taxes to remain consistent with the companies' own approach in presenting their tax figures and calculating their effective tax rates.

#### Effective tax rate

To calculate the overall effective tax rate, we divided the total tax paid by total profits from 2008 to 2014 for each company. This method aligns with the company's own effective tax rate calculation in the 10-K reports. When aggregating the tax data for our time period, we calculated the effective tax rate for each company for every year from 2008 to 2014 and verified this calculation against the companies' self-reported rates.

#### Tax Break

The "tax break" metric represents the amount the companies are underpaying in comparison to the amount they would pay at the full US statutory rate of 35% for corporate income tax. The "tax break" was calculated by multiplying a company's total profits by 35% and subtracting the amount of tax they actually paid to determine the difference between the amount of tax paid and the amount of tax that should be paid at the full statutory rate.

### **Taxes Avoided Offshore**

To provide a fuller picture of these companies' tax avoidance activities, we also sought to assess the companies' efforts to avoid taxes by holding money offshore.

#### Money held offshore

In the 10-K reports companies often disclose the amount of earnings held offshore in the Income Tax footnote to the financial statements.<sup>96</sup> The total is generally labeled as earnings “permanently reinvested” in certain foreign subsidiaries. Although these earnings are not always held as cash or cash reserves and may actually be re-invested in the foreign subsidiaries at times, they are still earnings by US companies that are allowed to escape US taxation. Because most of the companies’ 2015 10-K reports had not yet been released at the time of this research, we used the companies’ 2014 10-K reports for consistency.

### Tax Haven Subsidiaries

To determine the number of subsidiaries, our research team used the Citizens for Tax Justice (CTJ) report *Offshore Shell Games 2015: The Use of Offshore Tax Havens by Fortune 500 Companies*. CTJ used Exhibit 21 of the corporations’ 2014 10-K reports to determine how many subsidiaries were disclosed by the companies and where they were located. CTJ classified 50 jurisdictions as tax havens using three sources with consistent definitions of tax havens: “the Organization for Economic Co-operation and Development (OECD), the National Bureau of Economic Research, and a US District Court order.”<sup>97</sup>

The Exhibit 21 subsidiary disclosures only include “significant subsidiaries.” This standard only requires companies to disclose subsidiaries where either 1) the investment in the subsidiary constitutes more the 10% of the corporation’s total consolidated assets or 2) the income from the subsidiary exceeds 10% of the corporation’s total consolidated income.<sup>98</sup> As an illustration of the very limited nature of this disclosure, the four largest US finance companies only disclose 17% of their subsidiaries on their 10-K reports.<sup>99</sup>

A tax haven subsidiary does not always constitute a shell company established solely for tax and secrecy purposes, and many companies justify the location of subsidiaries in tax havens by demonstrating that they have active businesses in these jurisdictions. However, it is clear that, as a group, US multinationals use the networks of offshore subsidiaries to utilize the lenient regulations and added secrecy of the offshore jurisdictions and the loose US standards for “locating” a subsidiary in a jurisdiction. They are able to report higher earnings in their offshore subsidiaries to take advantage of the low or zero tax rate while avoiding taxes elsewhere.<sup>100</sup>

### **Lobbying**

To determine the lobbying expenditures of the target companies, we used the Center for Responsive Politics’ website [Opensecrets.org](http://Opensecrets.org). This resource calculates the total lobby expenditure for a company and its affiliates using lobbying data released by the Senate Office of Public Records as of April 20, 2015. For each company, we added together their total lobbying expenditure for the seven years from 2008 to 2014.

An interactive version of this table is available at: <https://action.oxfamamerica.org/stoptaxdodging/data-table/>

CORPORATION NAME	FEDERAL LOANS, BAILOUTS, LOAN GUARANTEES	PROFITS	FEDERAL INCOME TAX	TOTAL TAX	EFFECTIVE TAX RATE	TAX "BREAKS"	MONEY HELD OFFSHORE	SUBSIDIARIES IN TAX HAVENS	TOTAL LOBBYING
Alphabet (Google)	\$0	\$84,902 M	\$12,783 M	\$17,167 M	20.2%	\$12,549 M	\$47,400 M	2	\$73 M
American Express	\$8,986 M	\$42,672 M	\$9,423 M	\$12,982 M	30.4%	\$1,953 M	\$9,700 M	23	\$19 M
American International Group (AIG)	\$232,566 M	-\$77,705 M	-\$28,199 M	-\$20,870 M	26.9%		undisclosed	17	\$31 M
Amgen	\$0	\$35,545 M	\$2,633 M	\$3,994 M	11.2%	\$8,447 M	\$29,300 M	8	\$70 M
Apple	\$0	\$231,107 M	\$50,771 M	\$59,823 M	25.9%	\$21,064 M	\$181,100 M	3	\$17 M
AT&T	\$0	\$87,076 M	\$18,671 M	\$20,817 M	23.9%	\$9,660 M	undisclosed	undisclosed	\$113 M
Bank of America	\$3,495,477 M	\$33,361 M	-\$7,050 M	\$3,346 M	10.0%	\$8,330 M	\$17,200 M	22	\$24 M
Berkshire Hathaway	\$11 M	\$132,628 M	\$32,065 M	\$39,501 M	29.8%	\$6,919 M	\$10,000 M	9	\$53 M
Boeing	\$59,916 M	\$34,905 M	\$8,572 M	\$9,659 M	27.7% <sup>[1]</sup>	\$2,558 M	\$800 M	1	\$117 M
Capital One Financial	\$3,355 M	\$29,166 M	\$8,014 M	\$9,321 M	25.0%	\$2,903 M	\$1,400 M	undisclosed	\$12 M
Caterpillar	\$5,532 M	\$3,702 M	-\$71 M	\$837 M	22.6%	\$459 M	\$2,000 M	72	\$26 M
Chevron	\$1,250 M	\$254,713 M	\$13,164 M	\$106,732 M	41.9%		\$35,700 M	12	\$85 M
Cisco Systems	\$5 M	\$67,235 M	\$8,232 M	\$11,986 M	17.8%	\$11,546 M	\$52,700 M	59	\$15 M
Citigroup	\$2,589,079 M	\$9,340 M	-\$32,246 M	-\$8,567 M	-91.7%	\$11,836 M	\$43,800 M	41	\$40 M
Coca-Cola	\$0	\$74,728 M	\$6,766 M	\$16,629 M	22.3%	\$9,526 M	\$33,300 M	12	\$44 M
Comcast	\$0	\$58,664 M	\$16,811 M	\$20,094 M	34.3%	\$438 M	undisclosed	7	\$108 M
ConocoPhillips	\$0	\$80,464 M	\$9,864 M	\$52,970 M	65.8%		\$293 M	18	\$79 M
CVS Health	\$1 M	\$44,295 M	\$14,720 M	\$17,227 M	38.9%		undisclosed	0	\$70 M
Dow Chemical	\$43 M	\$21,883 M	-\$57 M	\$5,831 M	26.6%	\$1,828 M	\$18,037 M	92	\$65 M
Exxon Mobil	\$3,529 M	\$432,457 M	\$14,037 M	\$177,584 M	41.1% <sup>[2]</sup>		\$51,000 M	37 <sup>[3]</sup>	\$121 M

<sup>[1]</sup> Boeing responded: "The bulk of the difference in statutory and effective tax rates is the benefit of R&D and manufacturing credits. Those were enacted to encourage businesses to invest in high-value innovation and manufacturing to strengthen the economy and provide high-skill jobs."

<sup>[2]</sup> To calculate its effective tax rate, ExxonMobil uses income before tax including non-controlling interests and pre-tax equity company earnings (item C) instead of "income before income tax" from their Income Statement. ExxonMobil also includes its share of equity company taxes to calculate effective tax rate instead of using "income tax provision" from its Income Statement. We did not alter our methodology for Exxon in order to remain consistent with our approach to the other

49 companies by taking the "income before income tax" and "income tax" figures directly from Exxon's Income Statement without any manipulation.

<sup>[3]</sup> ExxonMobil responded: "ExxonMobil operates in dozens of countries all over the world. The corporate governance rules in these countries vary considerably. Where permissible, it is often prudent to incorporate an affiliate in a different country with stable and secure corporate governance rules (including countries that some refer to as "tax havens"). However, the affiliate pays taxes on any profits earned in a country where it operates to the government in that country, not in the country of incorporation."

CORPORATION NAME	FEDERAL LOANS, BAILOUTS, LOAN GUARANTEES	PROFITS	FEDERAL INCOME TAX	TOTAL TAX	EFFEC-TIVE TAX RATE	TAX "BREAKS"	MONEY HELD OFFSHORE	SUBSID-IARIES IN TAX HAVENS	TOTAL LOBBYING
Ford Motor	\$27,578 M	\$22,951 M	-\$7,109 M	-\$7,952 M	-34.6%	\$15,985 M	\$4,300 M	4	\$44 M
General Electric	\$27,989 M	\$144,272 M	-\$5,183 M	\$9,718 M	6.7%	\$40,777 M	\$119,000 M	18	\$161 M
General Motors	\$50,347 M	\$70,945 M	-\$30,050 M <sup>[4]</sup>	-\$32,314 M	-45.5%	\$57,145 M	\$7,100 M	21 <sup>[5]</sup>	\$67 M
Goldman Sachs	\$910,115 M	\$76,527 M	\$13,382 M	\$24,032 M	31.4%	\$2,752 M	\$24,880 M	20	\$26 M
Hewlett-Packard	\$0	\$40,978 M	\$3,420 M	\$11,678 M	28.5%	\$2,664 M	\$42,900 M	25	\$41 M
Home Depot	\$0	\$44,577 M	\$13,156 M	\$16,159 M	36.2%		\$3,400 M	undis-closed	\$7 M
Honeywell International	\$50 M	\$24,885 M	\$3,342 M	\$6,510 M	26.2%	\$2,200 M	\$15,000 M	5	\$44 M
IBM	\$5 M	\$138,349 M	\$9,993 M	\$32,270 M	23.3%	\$16,152 M	\$61,400 M	15	\$39 M
Intel	\$142 M	\$90,501 M	\$19,792 M	\$24,105 M	26.6%	\$7,570 M	\$23,300 M	14	\$29 M
Johnson & Johnson	\$0	\$111,801 M	\$13,431 M	\$22,912 M	20.5%	\$16,218 M	\$53,400 M	58	\$43 M
JPMorgan Chase	\$1,298,182 M	\$155,072 M	\$24,862 M	\$42,405 M	27.3%	\$11,870 M	\$31,100 M	4	\$47 M
Merck	\$0	\$65,775 M	\$11,306 M	\$14,697 M	22.3%	\$8,282 M	\$60,000 M	121	\$47 M
MetLife	\$20,524 M <sup>[6]</sup>	\$28,854 M	\$114 M	\$7,075 M	24.5%	\$3,024 M <sup>[7]</sup>	\$4,200 M <sup>[8]</sup>	31 <sup>[9]</sup>	\$41 M
Microsoft	\$0	\$173,858 M	\$24,143 M	\$38,783 M	22.3%	\$22,067 M	\$108,300 M	5	\$57 M
Morgan Stanley	\$2,117,185 M	\$20,050 M	-\$179 M	\$1,586 M	7.9%	\$5,432 M	\$7,364 M	210	\$23 M
Oracle	\$0	\$75,886 M	\$10,734 M	\$18,229 M	24.0%	\$8,331 M	\$38,000 M	5	\$43 M

<sup>[4]</sup> General Motors filed for bankruptcy in June 2009 and was reorganized as a new entity with GM's continuing operations, assets and trademarks in July 2009. General Motor's 2009 earnings, as reported on its financial statements, include \$128 billion in debt cancellation income ("Reorganization Gains") that arose from the bankruptcy. General Motors has characterized this income as "accounting-only, non-economic." General Motor's bankruptcy proceeding may have significantly distorted its tax picture. However, while recognizing these unique circumstances, we decided to maintain our methodology to remain consistent with our approach to the other 49 companies.

<sup>[5]</sup> General Motors responded: "GM does not have, nor use tax havens to reduce or avoid taxes. We do sell cars, parts, and auto financing in countries such as Caymans, Ireland, Switzerland, Luxembourg and the Netherlands, and we conduct those sales through GM-owned companies in those countries."

<sup>[6]</sup> MetLife responded: "A portion of our U.S. tax liability is offset by the use of tax credits. These tax credits are used exactly as Congress intended: to expand the supply of affordable housing (\$2 billion) and to develop renewable energy projects (\$3 billion) that mitigate climate change."

<sup>[7]</sup> MetLife responded: "MetLife does not shift income to tax havens. MetLife has hundreds of active businesses across more than 45 countries. The only entities that have operations or investments in "tax havens" are structured so that their income is included on our U.S. tax return and subject to the U.S. 35% tax rate."

<sup>[8]</sup> MetLife responded: "Most of these earnings are re-invested in our local businesses. As insurance companies grow, their capital needs increase and our regulators uniformly require that a large portion of earnings be retained locally as a capital buffer to support our obligations."

<sup>[9]</sup> MetLife responded: "MetLife's former bank subsidiary participated in the Federal Reserve's Term Auction Facility (TAF) after being encouraged by regulators who were eager to have healthy financial institution play a role in broader efforts to bolster market liquidity. MetLife also participated to a small degree in the FDIC's Temporary Liquidity Guarantee Program and the Fed's Commercial Paper Funding Facility because of the low cost of borrowing. The money was not needed to fund operations because MetLife had direct access to the capital markets. In fact, from 2008-2009, the company raised \$9.3 billion in debt and equity."

CORPORATION NAME	FEDERAL LOANS, BAILOUTS, LOAN GUARANTEES	PROFITS	FEDERAL INCOME TAX	TOTAL TAX	EFFEC-TIVE TAX RATE	TAX "BREAKS"	MONEY HELD OFFSHORE	SUBSID-IARIES IN TAX HAVENS	TOTAL LOBBYING
PepsiCo	\$0	\$58,118 M	\$7,577 M	\$14,638 M	25.2%	\$5,703 M	\$37,800 M	132	\$31 M
Pfizer	\$0	\$99,903 M	\$9,234 M	\$18,977 M	19.0%	\$15,989 M	\$74,000 M	151	\$94 M
Phillips 66 <sup>[10]</sup>	\$2 M	\$25,705 M	\$7,197 M	\$8,394 M	32.6%	\$626 M	\$2,000 M	17 <sup>[11]</sup>	\$9 M
Procter & Gamble	\$450,000	\$109,750 M	\$12,250 M	\$25,615 M	23.3%	\$12,798 M	\$45,000 M	38	\$31 M
Prudential Financial	\$2,457 M	\$10,677 M	\$406 M	\$1,857 M	17.4%	\$1,880 M	\$2,396 M	39	\$56 M
Qualcomm	\$0	\$39,943 M	\$1,969 M	\$7,254 M	18.2%	\$6,726 M	\$25,700 M	3	\$44 M
Twenty-First Century Fox, Inc.	\$0	\$27,945 M	\$2,814 M	\$4,489 M	16.1%	\$5,292 M	\$975 M	2	\$38 M
United Technologies	\$43 M	\$50,119 M	\$2,733 M	\$13,735 M	27.4%	\$3,807 M	\$28,000 M	28	\$91 M
UnitedHealth Group	\$250,000	\$52,967 M	\$18,145 M	\$19,574 M	37.0%		\$391 M	17	\$24 M
US Bancorp	\$6,599 M	\$41,045 M	\$8,964 M	\$10,613 M	25.9%	\$3,753 M	undisclosed	10	\$8 M
Verizon Communications	\$1,479 M	\$98,938 M	\$1,925 M	\$15,677 M	15.8%	\$18,951 M	\$1,300 M	undis-closed	\$110 M
Wal-Mart Stores	\$0	\$167,056 M	\$36,898 M	\$53,878 M	32.3%	\$4,592 M	\$23,300 M	75	\$48 M
Walt Disney	\$0	\$58,252 M	\$13,983 M	\$20,134 M	34.6%	\$254 M	\$1,900 M	7	\$30 M
Wells Fargo	\$330,432 M	\$158,927 M	\$23,931 M	\$49,531 M	31.2%	\$6,093 M	\$1,800 M	98	\$38 M
<b>TOTALS</b>	<b>\$11,192,877 M</b>	<b>\$3,965,764 M</b>	<b>\$412,083 M</b>	<b>\$1,051,322 M</b>	<b>26.5%</b>	<b>\$336,696 M</b>	<b>\$1,381,936 M</b>	<b>1608</b>	<b>\$2,595 M</b>

<sup>[10]</sup> Financial information for Phillips 66 is aggregated from 2010 to 2014, not 2008 to 2014, because Phillips 66 was not spun-off from ConocoPhillips until 2012. In its first 10-K filing in 2012, Phillips 66 included its financial information from 2010 and 2011 when it was operating as a subsidiary of ConocoPhillips. Lobbying expenditures are aggregated from 2012 to 2014.

<sup>[11]</sup> Phillips 66 responded: "We operate refining assets in Ireland and marketing locations in Switzerland that provide products to local markets. Singapore is a major trading center for petroleum and we have operations there that support our worldwide Refining and Marketing operations."

---

<sup>1</sup> *An Economy for the 1%* (January 17, 2016), <http://www.oxfamamerica.org/explore/research-publications/an-economy-for-the-1/>, (last visited Feb. 25, 2016).

<sup>2</sup> Tax dodging exists in a legal grey zone given complex tax laws that are filled with loopholes, exemptions and special interest carveouts that can be exploited by corporations and their advisers. Enforcement of the existing laws is a major challenge given the capacity constraints faced by tax authorities in the US and, even more significantly, in developing countries. “Tax evasion” is illegal behavior. Some companies have faced stiff penalties for breaking the law. This report focuses primarily on “tax avoidance” which is not necessarily illegal. More here: Definition of Tax Avoidance, Tax avoidance in the News, Financial Times, <http://lexicon.ft.com/Term?term=tax-avoidance>.

<sup>3</sup> Of the \$68 billion in grants and special tax credits the federal government gave to businesses over the past fifteen years, two-thirds went to the largest corporations. See: Philip Mattera & Kasia Tarczynska, *Uncle Sam’s Favorite Corporations: Identifying the Large Companies that Dominate Federal Subsidies* (Good Jobs First, March 2015), <http://www.goodjobsfirst.org/sites/default/files/docs/pdf/UncleSamsFavoriteCorporations.pdf>.

<sup>4</sup> Kimberly A. Clausing, *The Effect of Profit Shifting on the Corporate Tax Base in the United States and Beyond* (January 2016), [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2685442](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2685442).

<sup>5</sup> United Nations Conference on Trade and Development (UNCTAD), *World Investment Report 2015* (2015), [http://unctad.org/en/PublicationsLibrary/wir2015\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf); E. Crivelli, R. De Mooij and M. Keen, *Base Erosion, Profit Shifting and Developing Countries*, International Monetary Fund (IMF), WP/15/118 (2015), <https://www.imf.org/external/pubs/ft/wp/2015/wp15118.pdf>.

<sup>6</sup> 50 largest US companies according to Forbes 2000 annual ranking <http://www.forbes.com/global2000/list>

<sup>7</sup> This metric captures the amount each company received or was a beneficiary of in federal loans, loan guarantees and bailout assistance from the U.S. federal government from 2008 to 2014 excluding repayments, interests and dividends. Most loans are repaid in full with interest, but the data source used in this study does not allow tracking of these repayments. Nevertheless, these loans do constitute corporate welfare as they offer better terms than finance available in the private sector. In the case of large bailouts, the federal government is the only possible source of funding available to companies. These loans are also just one small example of the benefits received by companies from federal funds. They do not, for example, count the benefits companies enjoy from federal grants, contracts or funding for public services like roads, an educated workforce or federal research and development.

<sup>8</sup> This is an extremely generous estimate of company tax payments taken directly from corporate disclosures. It incorporates “deferred tax liabilities” which are not actually paid in the year they are estimated. It is an intentionally conservative assessment to give maximum benefit of the doubt to companies. Other methodologies have shown that the true effective tax rates for large companies may be substantially lower. A 2014 study by Citizens for Tax Justice examined five years of data and found that Fortune 500 companies paid an average federal effective corporate income tax rate of just 19.4 percent, just over half of the 35% statutory rate. Robert S. McIntyre, Matthew Gardner, Richard Phillips, *The Sorry State of Corporate Taxes*, Citizens for Tax Justice, Institute on Taxation and Economic Policy (February 2014)

<http://www.ctj.org/corporatetaxdodgers/sorrystateofcorptaxes.pdf>

<sup>9</sup> Francis Weyzig et al., *Still Broken: Governments must do more to fix the international corporate tax system* (November 2015),

<http://www.oxfamamerica.org/static/media/files/still-broken-corporate-tax-101115-embargo-en.pdf>.

<sup>10</sup> American Corporations Tell IRS the Majority of Their Offshore Profits Are in 10 Tax Havens, Citizens For Tax Justice (April 7, 2016)

[http://ctj.org/ctjreports/2016/04/american\\_corporations\\_tell\\_irs\\_the\\_majority\\_of\\_their\\_offshore\\_profits\\_are\\_in\\_10\\_tax\\_havens.php#.VwfUo\\_krJQJ](http://ctj.org/ctjreports/2016/04/american_corporations_tell_irs_the_majority_of_their_offshore_profits_are_in_10_tax_havens.php#.VwfUo_krJQJ)

<sup>11</sup> Robert McIntyre et al., *Offshore Shell Games 2015: The Use of Offshore Tax Havens by Fortune 500 Companies*, Citizens For Tax Justice, 5 (Oct.

2015), [http://ctj.org/ctjreports/2015/10/offshore\\_shell\\_games\\_2015.php#.VuMbX-ZXo8l](http://ctj.org/ctjreports/2015/10/offshore_shell_games_2015.php#.VuMbX-ZXo8l)

<sup>12</sup> Francis Weyzig et al., *Still Broken: Governments must do more to fix the international corporate tax system* (November 2015), <http://www.oxfamamerica.org/static/media/files/still-broken-corporate-tax-101115-embargo-en.pdf>

<sup>13</sup> Ibid.

<sup>14</sup> Gabriel Zucman, *Taxing across Borders: Tracking Personal Wealth and Corporate Profits*. *Journal of Economic Perspectives*—Volume 28, Number 4—Fall 2014—Pages 121–148 [gabriel-zucman.eu/files/Zucman2014JEP.pdf](http://gabriel-zucman.eu/files/Zucman2014JEP.pdf)

<sup>15</sup> Gabriel Zucman, *Taxing across Borders: Tracking Personal Wealth and Corporate Profits*. *Journal of Economic Perspectives*—Volume 28, Number 4—Fall 2014—Pages 121–148 [gabriel-zucman.eu/files/Zucman2014JEP.pdf](http://gabriel-zucman.eu/files/Zucman2014JEP.pdf)

<sup>16</sup> Ned Resnikoff, *President Obama signs \$8.7 billion food stamp cut into law*, MSNBC (Aug. 25, 2015 9:29 AM), <http://www.msnbc.com/msnbc/obama-signs-food-stamp-cut>.

<sup>17</sup> From FY 2010 through FY 2016, out of the 164 programs tracked by the Coalition on Human Needs, 139 sustained cuts; Coalition on Human Needs, *Despite Gains in FY16 From Lifting Sequester Caps, Most Human Needs Programs Have Lost Ground Since 2010* (Feb. 23, 2016), <http://www.chn.org/wp-content/uploads/2016/02/Despite-Gains-in-FY16-Most-Programs-Lost-Ground-Since-2010-chart-and-cover-page-02-22-2016.pdf>.

<sup>18</sup> Ibid.

<sup>19</sup> National Low Income Housing Coalition, *Out of Reach* (2015), [http://nlihc.org/sites/default/files/oor/OOR\\_2015\\_FULL.pdf](http://nlihc.org/sites/default/files/oor/OOR_2015_FULL.pdf).

<sup>20</sup> Melissa De Witte, *Study reveals the invisible workforce serving Silicon Valley’s tech industry*. *Phys Org* (April 4, 2016), <http://phys.org/news/2016-04-reveals-invisible-workforce-silicon-valley.html>.

- 
- <sup>21</sup> Abby Goodnough, Flint Weighs Scope of Harm to Children Caused by Lead in Water, *The New York Times* (Jan. 29, 2016), <http://www.nytimes.com/2016/01/30/us/flint-weighs-scope-of-harm-to-children-caused-by-lead-in-water.html>.
- <sup>22</sup> Sarah Frostenson, America's lead poisoning problem isn't just in Flint. It's everywhere., *Vox* (Jan. 21, 2016, 6:20 PM), <http://www.vox.com/2016/1/21/10811004/lead-poisoning-cities-us>.
- <sup>23</sup> Centers for Disease and Control Prevention: Morbidity and Mortality Weekly Report, Blood Lead Levels in Children Aged 1–5 Years — United States, 1999–2010, (April 5, 2013), <http://www.cdc.gov/mmwr/preview/mmwrhtml/mm6213a3.htm>.
- <sup>24</sup> Coalition on Human Needs, Despite Gains in FY16 From Lifting Sequester Caps, Most Human Needs Programs Have Lost Ground Since 2010 (Feb. 23, 2016), <http://www.chn.org/wp-content/uploads/2016/02/Despite-Gains-in-FY16-Most-Programs-Lost-Ground-Since-2010-chart-and-cover-page-02-22-2016.pdf>.
- <sup>25</sup> This is in the long run, where the revenue loss for OECD countries is approximately 1 percent of GDP, while it is 1.30 percent for developing countries. As a percentage of total tax revenue, the difference is likely to be much bigger, since the average total tax revenue in OECD countries is about 35 percent of GDP, while it stands at about 15 percent in developing countries. See: E. Crivelli, R. De Mooij and M. Keen, Base Erosion, Profit Shifting and Developing Countries, International Monetary Fund (IMF), WP/15/118 (2015), <https://www.imf.org/external/pubs/ft/wp/2015/wp15118.pdf>.
- <sup>26</sup> The World Bank, Data: Expenditure on education as % of total government expenditure (%), <http://data.worldbank.org/indicator/SE.XPD.TOTL.GB.ZS>; The World Bank, Health expenditure, public (% of total health expenditure), <http://data.worldbank.org/indicator/SH.XPD.PUBL>; The World Bank, Infrastructure and Growth, <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTINFRA/0,,contentMDK:23154473~pagePK:64168445~piPK:64168309~theSitePK:8430730,00.html>.
- <sup>27</sup> Carlo Cottarelli, Revenue Mobilization in Developing Countries. International Monetary Fund (March 8, 2011) <https://www.imf.org/external/np/pp/eng/2011/030811.pdf>
- <sup>28</sup> Justin McCarthy, More Americans Say Low-Income Earners Pay Too Much in Taxes, *Gallup* (Apr. 15, 2015), <http://www.gallup.com/poll/182426/americans-say-low-income-earners-pay-taxes.aspx>.
- <sup>29</sup> Robert C. Pozen, 35 Percent Is Way Too High For Corporate Taxes, *Brookings* (Jan. 29, 2013), <http://www.brookings.edu/research/opinions/2013/01/29-corporate-tax-rate-pozen>.
- <sup>30</sup> The tax total includes income tax paid to state and local governments and foreign governments.
- <sup>31</sup> This metric captures the amount each company received or was a beneficiary of in federal loans, loan guarantees and bailout assistance from the U.S. federal government from 2008 to 2014 excluding repayments, interests and dividends. Most loans are repaid in full with interest, but the data source used in this study does not allow tracking of these repayments. Nevertheless, these loans do constitute corporate welfare as they offer better terms than finance available in the private sector. In the case of large bailouts, the federal government is the only possible source of funding available to companies. These loans are also just one small example of the benefits received by companies from federal funds. They do not, for example, count the benefits companies enjoy from federal grants, contracts or funding for public services like roads, an educated workforce or federal research and development.
- <sup>32</sup> This is an extremely generous estimate of company tax payments taken directly from corporate disclosures. It incorporates “deferred tax liabilities” which are not actually paid in the year they are estimated. It is an intentionally conservative assessment to give maximum benefit of the doubt to companies. Other methodologies have shown that the true effective tax rates for large companies may be substantially lower. A 2014 study by Citizens for Tax Justice examined five years of data and found that Fortune 500 companies paid an average federal effective corporate income tax rate of just 19.4 percent, just over half of the statutory 35% rate. Robert S. McIntyre, Matthew Gardner, Richard Phillips, The Sorry State of Corporate Taxes, *Citizens for Tax Justice, Institute on Taxation and Economic Policy* (February 2014) <http://www.ctj.org/corporatetaxdodgers/sorrystateofcorptaxes.pdf>
- <sup>33</sup> These “tax breaks” represent the difference between the taxes that the 50 companies effectively pay and what they would pay if they were taxed at the full 35% statutory rate. This difference includes some tax breaks intended by Congress like accelerated amortization of investment, but also the result of offshore tax avoidance.
- <sup>34</sup> As discussed below, *supra* p. 6, this figure does not capture the full amount of subsidiaries held by these companies in offshore tax havens. The SEC only requires that companies disclose “significant subsidiaries” in their annual 10-K reports.
- <sup>35</sup> Jane G. Gravelle, International Corporate Tax Rate Comparisons and Policy Implications, *Congressional Research Service* (Jan. 6, 2014), <https://www.fas.org/sgp/crs/misc/R41743.pdf>.
- <sup>36</sup> Robert S. McIntyre, Matthew Gardner, Richard Phillips, The Sorry State of Corporate Taxes, *Citizens for Tax Justice, Institute on Taxation and Economic Policy* (February 2014) <http://www.ctj.org/corporatetaxdodgers/sorrystateofcorptaxes.pdf>
- <sup>37</sup> The “tax break” metric represents the amount the companies are underpaying in comparison to the amount they would pay at the full U.S. statutory rate of 35% for corporate income tax. The “tax break” was calculated by multiplying a company’s total profits by 35% and subtracting the amount of tax they actually paid to determine the difference between the amount of tax paid and the amount of tax that should be paid at the full statutory rate. This difference includes some tax breaks intended by Congress like accelerated amortization of investment, but also the result of offshore tax avoidance.
- <sup>38</sup> Total tax breaks divided by seven to get yearly average then divided by the poverty-focused foreign assistance budget for FY2014 (\$23.4 billion). *Foreign Aid 101: A Quick and Easy Guide to Understanding US Foreign Aid*, Oxfam America, <http://www.oxfamamerica.org/explore/research-publications/foreign-aid-101/> (last visited Feb. 26, 2016).

- <sup>39</sup> Least Developed Countries' combined annual education spending is approximately \$24.5 billion. Government expenditure on education as % of GDP, World Bank, <http://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS> (last accessed Feb. 26, 2016).
- <sup>40</sup> Robert McIntyre, et al., *Offshore Shell Games 2015: The Use of Offshore Tax Havens by Fortune 500 Companies*, Citizens for Tax Justice, 5 (Oct. 2015).
- <sup>41</sup> U.S Government Accountability Office, *Cayman Islands: Business and Tax Advantages Attract U.S. Persons and Enforcement Challenges Exist* (Jul 24, 2008), <http://www.gao.gov/products/GAO-08-778>.
- <sup>42</sup> Ibid.
- <sup>43</sup> Ibid.
- <sup>44</sup> 17 CFR § 210.1-02(w).
- <sup>45</sup> <http://politicsofpoverty.oxfamamerica.org/2016/01/a-hidden-network-of-hidden-wealth/>
- <sup>46</sup> Lobbying Database, Centre for Responsive Politics, <https://www.opensecrets.org/lobby/>.
- <sup>47</sup> Brian Kelleher Richter, Krislert Samphantharak & Jeffrey F. Timmons, *Lobbying and Taxes*, Vol. 53 *American Journal of Political Science*, Issue 4, 893-909 (Oct. 22, 2008), [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1082146](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1082146).
- <sup>48</sup> Clausing, Kimberly A., *The Effect of Profit Shifting on the Corporate Tax Base in the United States and Beyond* (Jan. 11, 2016), [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2685442](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2685442).
- <sup>49</sup> Drew Desilver, *High-income Americans pay most income taxes, but enough to be 'fair'?*, Pew Research Center (March 24, 2015), <http://www.pewresearch.org/fact-tank/2015/03/24/high-income-americans-pay-most-income-taxes-but-enough-to-be-fair/>.
- <sup>50</sup> Leonard E. Burman, *Taxes and Inequality* (March 20, 2014), <http://www.taxpolicycenter.org/publications/taxes-and-inequality/full>.
- <sup>51</sup> Jennifer C. Gravelle, *Corporate Tax Incidence: Review of General Equilibrium Estimates and Analysis*, Congressional Budget Office (May 2010), <http://www.cbo.gov/ftpdocs/115xx/doc11519/05-2010-Working-Paper-Corp-Tax-Incidence-Review-of-Gen-Eq-Estimates.pdf>; Gravelle, Jane G. & Kent A. Smetters, *Does the Open Economy Assumption Really Mean That Labor Bears the Burden of a Capital Income Tax*, vol. 6 *Advances in Economic Analysis & Policy*, 1 (2006).
- <sup>52</sup> Citizens for Tax Justice, *Fact Sheet: Why We Need the Corporate Income Tax* (June 10, 2013, 10:38 AM), [http://ctj.org/ctjreports/2013/06/fact\\_sheet\\_why\\_we\\_need\\_the\\_corporate\\_income\\_tax.php#.Vv67kPkrdlV](http://ctj.org/ctjreports/2013/06/fact_sheet_why_we_need_the_corporate_income_tax.php#.Vv67kPkrdlV).
- <sup>53</sup> Center on Budget and Policy Priorities, *Policy Basics: Federal Payroll Taxes* (March 23, 2016), <http://www.cbpp.org/research/federal-tax/policy-basics-federal-payroll-taxes>.
- <sup>54</sup> Americans for Tax Fairness, *Tax Fairness Briefing Material* (March 2015), <http://www.americansfortaxfairness.org/files/Tax-Fairness-Briefing-Materials-Full-Packet-3-18-2015.pdf>.
- <sup>55</sup> Gabriel Zucman, *Taxing across Borders: Tracking Personal Wealth and Corporate Profits*. *Journal of Economic Perspectives—Volume 28, Number 4—Fall 2014—Pages 121–148* [gabriel-zucman.eu/files/Zucman2014JEP.pdf](http://gabriel-zucman.eu/files/Zucman2014JEP.pdf)
- <sup>56</sup> Childrens Defense Fund, *Ending Child Poverty Now*, <http://www.childrensdefense.org/library/PovertyReport/EndingChildPovertyNow.html>
- <sup>57</sup> Lukas Brun et al., *Infrastructure Investment Creates American Jobs* (Oct 2014), [https://s.bsd.net/aamweb/main/page/file/9d937012edb12326c4\\_7vm62z7l5.pdf](https://s.bsd.net/aamweb/main/page/file/9d937012edb12326c4_7vm62z7l5.pdf).
- <sup>58</sup> *Frequently Asked Questions about Sequestration* (Jan. 2015) <http://democrats.budget.house.gov/committee-report/frequently-asked-questions-about-sequestration-under-budget-control-act-2011> (Last visited Mar. 10, 2016).
- <sup>59</sup> Coalition on Human Needs, *Despite Gains in FY16 From Lifting Sequester Caps, Most Human Needs Programs Have Lost Ground Since 2010* (Feb. 23, 2016), <http://www.chn.org/wp-content/uploads/2016/02/Despite-Gains-in-FY16-Most-Programs-Lost-Ground-Since-2010-chart-and-cover-page-02-22-2016.pdf>.
- <sup>60</sup> FY2014 (\$23.4 billion). *Foreign Aid 101: A Quick and Easy Guide to Understanding US Foreign Aid*, Oxfam America, <http://www.oxfamamerica.org/explore/research-publications/foreign-aid-101/> (last visited Feb. 26, 2016).
- <sup>61</sup> United Nations Conference on Trade and Development (UNCTAD), *World Investment Report 2015* (2015), [http://unctad.org/en/PublicationsLibrary/wir2015\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf); IMF E. Crivelli, R. De Mooij and M. Keen, *Base Erosion, Profit Shifting and Developing Countries*, *International Monetary Fund (IMF)*, WP/15/118 (2015), <https://www.imf.org/external/pubs/ft/wp/2015/wp15118.pdf>.
- <sup>62</sup> Least Developed Countries' combined education spending is \$24.5 billion. Government expenditure on education as % of GDP, The World Bank, <http://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>.
- <sup>63</sup> There are 2.2 billion people who lack basic water, 3.4 billion who lack basic sanitation and 4.8 billion people who lack hand washing tools. The World Bank estimates that extending basic service for drinking water, sanitation, and hygiene (WASH) to all of the unserved will cost \$13.8 to \$46.7 billion per year. Guy Hutton & Mili Varughese, *The Costs of Meeting the 2030 Sustainable Development Goal Targets on Drinking Water, Sanitation, and Hygiene*, 2 (Jan. 2016), <http://reliefweb.int/sites/reliefweb.int/files/resources/The0costs0of0m0one000summary0report.pdf>. WHO estimates it costs US\$ 44 of minimum spending per person per year needed to provide basic, life-saving services. \$100 billion / \$44 = 2.2 billion. World Health Organisation, *Spending on health: A global overview*, Fact sheet N°319 (April 2012), <http://www.who.int/mediacentre/factsheets/fs319/en/>.
- <sup>64</sup> Give us a break: How big companies are getting tax-free deals, ActionAid (2013), <http://www.actionaid.org/australia/publications/give-us-break-how-big-companies-are-getting-tax-free-deals>.
- <sup>65</sup> *Bangladesh*, Oxfam International, <https://www.oxfam.org/en/countries/bangladesh> (last visited Feb. 26, 2016).
- <sup>66</sup> United Nations Development Program (UNDP), *Human Development Report 2015: Bangladesh*, [http://hdr.undp.org/sites/all/themes/hdr\\_theme/country-notes/BGD.pdf](http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/BGD.pdf).
- <sup>67</sup> *Business Among Friends: Why corporate tax dodgers are not yet losing sleep over global*

---

tax reform, Oxfam Briefing Paper (May 2014), [https://www.oxfam.org/sites/www.oxfam.org/files/bp185-business-among-friends-corporate-tax-reform-120514-en\\_0.pdf](https://www.oxfam.org/sites/www.oxfam.org/files/bp185-business-among-friends-corporate-tax-reform-120514-en_0.pdf).

<sup>68</sup> Ibid.

<sup>69</sup> Ibid.

<sup>70</sup> G20: how global tax reform could transform Africa's fortunes, The Guardian (Sept. 5, 2013, 04.23 EDT), <http://www.theguardian.com/commentisfree/2013/sep/05/g20-africa-global-tax-reform>.

<sup>71</sup> Portman Unveils Bipartisan Principles for International Tax Reform - New System would Eliminate the Lock-out Effect, Establish 'Patent Box' to Protect U.S. Innovation and Jobs, Preserve the U.S. Tax Base & More (July 8, 2015), <http://www.portman.senate.gov/public/index.cfm/2015/7/portman-unveils-bipartisan-principles-for-international-tax-reform-new-system-would-eliminate-the-lock-out-effect-establish-patent-box-to-protect-u-s-innovation-and-jobs-preserve-the-u-s-tax-base-more>.

<sup>72</sup> FACT Coalition, FACT Welcomes Anti-Tax Dodging Proposal; Urges Treasury to Strengthen, Clarify Rule (March 22, 2016), <http://thefactcoalition.org/fact-welcomes-anti-tax-dodging-proposal-urges-treasury-to-strengthen-clarify-rule/>.

<sup>73</sup> Nicholas Hirst, EU Ministers to Push Corporate Tax Avoidance Rules (Mar. 8, 2016, 3:12 PM CET), <http://www.politico.eu/article/eu-ministers-to-push-corporate-tax-avoidance-rules/>.

<sup>74</sup> See, e.g.: Apple's Tax Avoidance Strategies (Timesvideo May. 20, 2013, 3:03), <http://www.nytimes.com/video/business/10000002235844/apples-tax-avoidance-strategies.html>; Heather Stewart, Facebook paid £4,327 corporation tax despite £35m staff bonuses, The Guardian (Oct. 11, 2015, 09.27 EDT), <http://www.theguardian.com/global/2015/oct/11/facebook-paid-4327-corporation-tax-despite-35-million-staff-bonuses>; European Commission, Commission decides selective tax advantages for Fiat in Luxembourg and Starbucks in the Netherlands are illegal under EU state aid rules (Oct. 21, 2015), [http://europa.eu/rapid/press-release\\_IP-15-5880\\_en.htm](http://europa.eu/rapid/press-release_IP-15-5880_en.htm); Homeland Security & Governmental Affairs: Permanent Subcommittee on Investigations, Subcommittee to Examine Offshore Profit Shifting and Tax Avoidance by Apple Inc. (May 20, 2013), <https://www.hsgac.senate.gov/subcommittees/investigations/media/subcommittee-to-examine-offshore-profit-shifting-and-tax-avoidance-by-apple-inc>.

<sup>75</sup> Adam Satariano, Apple May Be on Hook for \$8 Billion in Taxes in Europe Probe, Bloomberg (Jan. 15, 2016, 3:15 AM EST), <http://www.bloomberg.com/news/articles/2016-01-15/apple-may-be-on-hook-for-8-billion-in-taxes-after-europe-probe>.

<sup>76</sup> Social saints, fiscal fiends: Opinions vary on whether firms can be "socially responsible" while avoiding taxes (Jan. 2, 2016), <http://www.economist.com/news/business-and-finance/21684770-social-saints-fiscal-fiends-opinions-vary-whether-firms-can-be-socially-responsible>.

<sup>77</sup> UN Principles for Responsible Investment, Engagement Guidance on Corporate Tax Responsibility: Why and How to Engage with Your Investee Companies, [http://www.unpri.org/wp-content/uploads/PRI\\_Tax-Guidance-2015.pdf](http://www.unpri.org/wp-content/uploads/PRI_Tax-Guidance-2015.pdf).

<sup>78</sup> The U.S. Chamber of Commerce, for example, has spent more than \$1 billion in lobbying since 1998, vastly more than any other single organization. Large multinational corporations provide the vast majority of the Chamber's funding, and much of the Chamber's lobbying goes toward preserving corporate tax loopholes. See US Chamber of Commerce, Center for Responsive Politics, <https://www.opensecrets.org/lobby/clientsum.php?id=D000019798>; Carrie Levine, The Chamber's Bad Bet on the GOP (March 30, 2015), <http://www.politico.com/magazine/story/2015/03/us-chamber-gop-congress-116493>; US Chamber of Commerce, Center for Responsive Politics, [https://www.opensecrets.org/lobby/clientissues\\_spec.php?id=D000019798&year=2014&spec=TAX](https://www.opensecrets.org/lobby/clientissues_spec.php?id=D000019798&year=2014&spec=TAX).

<sup>79</sup> 50 largest US companies according to Forbes 2000 annual ranking <http://www.forbes.com/global2000/list>

<sup>80</sup> Subsidy Tracker, Good Jobs First, <http://www.goodjobsfirst.org/subsidy-tracker>. Oxfam, and CRP, excluded repayment amounts because this information is not publicly available.

<sup>81</sup> News and Events, Federal Reserve, [http://www.federalreserve.gov/newsevents/reform\\_cpff.htm](http://www.federalreserve.gov/newsevents/reform_cpff.htm); Monetary Policy, Federal Reserve, [http://www.federalreserve.gov/monetarypolicy/bst\\_tranche.htm](http://www.federalreserve.gov/monetarypolicy/bst_tranche.htm).

<sup>82</sup> Recovery Act, Treasury Department, <http://www.treasury.gov/initiatives/recovery/Pages/1603.aspx>.

<sup>83</sup> Annual Reports, Overseas Private Investment Corporation, <http://www.opic.gov/media-events/annual-reports>.

<sup>84</sup> TLGP Debt Guarantee Program: Issuer Reported Debt Details, Federal Deposit Insurance Corporation, [https://www.fdic.gov/regulations/resources/TLGP/total\\_debt.html](https://www.fdic.gov/regulations/resources/TLGP/total_debt.html).

<sup>85</sup> Announcement of the Results of 2009-10 Allocation Round of the Qualifying Advanced Coal Project Program and the Qualifying Gasification Project Program, Internal Revenue Bulletin 2010-39 (Sept. 27, 2010), [http://www.irs.gov/irb/2010-39\\_IRB/ar09.html](http://www.irs.gov/irb/2010-39_IRB/ar09.html).

<sup>86</sup> USA Spending, <http://www.usaspending.gov/>.

<sup>87</sup> Data.gov, <https://data.exim.gov/>.

<sup>88</sup> Quarterly Report to Congress, Office of the Special Inspector General for the Troubled Asset Relief Program (Oct. 29, 2014), [http://www.sig tarp.gov/Quarterly%20Reports/October\\_29\\_2014\\_Report\\_to\\_Congress.pdf](http://www.sig tarp.gov/Quarterly%20Reports/October_29_2014_Report_to_Congress.pdf).

<sup>89</sup> Emma database, Municipal Securities Rulemaking Board, <http://emma.msrb.org/Home/Index>.

<sup>90</sup> DFA Bond Advisory Division, Mississippi Department of Finance and Administration, <http://www.dfa.state.ms.us/Offices/BondAdvDiv/ReportsandPublications.htm>.

<sup>91</sup> AIG, Counterparty Attachment: Collateral Postings Under AIGFP CDS, [http://www.aig.com/aigweb/internet/en/files/CounterpartyAttachments031809\\_tcm385-155645.pdf](http://www.aig.com/aigweb/internet/en/files/CounterpartyAttachments031809_tcm385-155645.pdf).

<sup>92</sup> The Aftermath: Federal Aid 10 Years After the World Trade Center Attack, New York City Independent Budget Office (Aug. 2011), <http://www.ibo.nyc.ny.us/iboreports/wtc2011.pdf>.

<sup>93</sup> DOE Loan Programs: DOE Has Made More Than \$30 Billion in Loans and Guarantees and Needs to Fully Develop Its Loan Monitoring Function, GAO testimony to House Subcommittee on Investigation, Appendix (May 30, 2014), <http://www.gao.gov/products/GAO-14-645T>.

<sup>94</sup> Direct communication with Good Jobs First.

---

<sup>95</sup> The Income Statements is generally referred to as the Consolidated Statements of Earnings, the Consolidated Statements of Income or Consolidated Statements of Operations.

<sup>96</sup> Of the 50 companies in our study, five companies did not disclose the amount of cash they hold offshore. AT&T discloses that it has permanently reinvested offshore earnings but does not provide the amount. AIG, Comcast and US Bancorp all disclose that they own subsidiaries in tax havens but do not disclose the existence of cash held off-shore. CVS does not disclose the existence of cash off-shore but also does not pay any foreign taxes or have any subsidiaries in tax havens.

<sup>97</sup> Robert McIntyre, et al., Offshore Shell Games 2015: The Use of Offshore Tax Havens by Fortune 500 Companies, Citizens for Tax Justice 20 (Oct. 2015). Two of the 50 companies we examined were not included in CTJ's report: AT&T and CVS. Our researchers looked at Exhibit 21 of their 2014 10-K reports and found that neither disclosed any subsidiaries located in the jurisdictions classified as tax havens by CTJ.

<sup>98</sup> 17 CFR § 210.1-02(w).

<sup>99</sup> Because of more stringent reporting requirements, the four largest US financial institutions disclosed 10,688 subsidiaries to the Fed compared to only 1,858 subsidiaries disclosed in their 10-K filings.

<sup>100</sup> One example technique is to shift intangible capital to a subsidiary in a low tax jurisdiction and have other subsidiaries or the parent company pay a large fee to that offshore subsidiary to use the intangible capital.