CORPORATE TAX DODGERS

10 COMPANIES AND THEIR TAX LOOPHOLES

2013 REPORT

AMERICANS FOR TaxFairness

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Methodology

For a description of the methodologies used to determine corporate taxes paid, corporate tax subsidies and CEO compensation go here: http://www.americansfortaxfairness.org/baseball-methodolgy/

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HIGHLIGHTS OF 10 CORPORATE TAX DODGERS

BANK OF AMERICA

Had $17.2 billion in profits offshore in 2012 on which it paid no U.S. taxes. Reported it would owe $4.3 billion in U.S. taxes if profits are brought home.

CITIGROUP

Had $42.6 billion in profits offshore in 2012 on which it paid no U.S. taxes. Reported it would owe $11.5 billion in U.S. taxes if profits are brought home.

EXXONMOBIL

Paid just a 15% federal income tax rate from 2010-2012, less than half the official 35% corporate tax rate – a tax subsidy of $6.2 billion. Had $43 billion in profits offshore in 2012 on which it paid no U.S. taxes.

FEDEX

Made $5.7 billion from 2010-2012 and didn't pay a dime in federal income taxes. Got a tax subsidy of $2.1 billion. Received $10.3 billion in federal contracts from 2006-2012.

GENERAL ELECTRIC

Made $88 billion from 2002-2012 and paid just 2.4% in taxes for a tax subsidy of $29 billion. Paid no taxes in 4 years. Had $108 billion in profits offshore in 2012 on which it paid no U.S. taxes. Received $21.8 billion in federal contracts from 2006-2012.

HONEYWELL

Made $5 billion from 2009-2012 and paid just $50 million in federal income taxes – a tax subsidy of $1.7 billion. Had $11.6 billion in profits offshore in 2012 on which it paid no U.S. taxes. Received $16.7 billion in federal contracts from 2006-2012.

MERCK

Made $13.6 billion and paid $2.5 billion in federal income taxes from 2009-2012. Paid an 18.4% federal income tax rate, half the official 35% rate – a tax subsidy of $2.2 billion. Had $53.4 billion in profits offshore in 2012 on which it paid no U.S. taxes. Received $8.7 billion in federal contracts from 2006-2012.

MICROSOFT

Saved $4.5 billion in federal income taxes from 2009-2011 by transferring profits to a subsidiary in the tax haven of Puerto Rico. Had $60.8 billion in profits stashed offshore in 2012 on which it paid no U.S. taxes; reported it would owe $19.4 billion if profits are brought home.

PFIZER

Received $2.2 billion in federal tax refunds from 2010-2012 while earning $43 billion worldwide even though 40% of its sales are in America. Had $73 billion in profits offshore in 2012 on which it paid no U.S. income taxes. Received $3.4 billion in federal contracts from 2010-2012.

VERIZON

Made $19.3 billion in U.S. pretax profits from 2008-2012 but paid no federal income taxes during the period; instead got $535 million in tax rebates. Total tax subsidy: $7.3 billion. Received up to $6 billion in federal contracts from 2011 through 2023.

CORPORATE TAX DODGERS AND THEIR FAVORITE LOOPHOLES

As the budget battles in Washington continue, corporations have stepped into the fray with some of the most aggressive lobbying we've seen in years – calling for cuts to corporate tax rates, a widening of offshore tax loopholes that already cost the U.S. Treasury $90 billion a year, and cuts to government services and benefits, including Social Security and Medicare.

In making their case, corporate executives decry the U.S.'s 35% corporate tax rate claiming it is the highest in the world and makes their businesses uncompetitive globally. The evidence suggests otherwise.

Corporate profits are at a 60-year high, while corporate taxes are near a 60-year low [See Figure]. U.S. stock markets are at record levels, and American CEOs are paid far more than executives who run firms of similar size in other nations. Many U.S. corporations pay a higher tax rate to foreign governments than they do here at home.

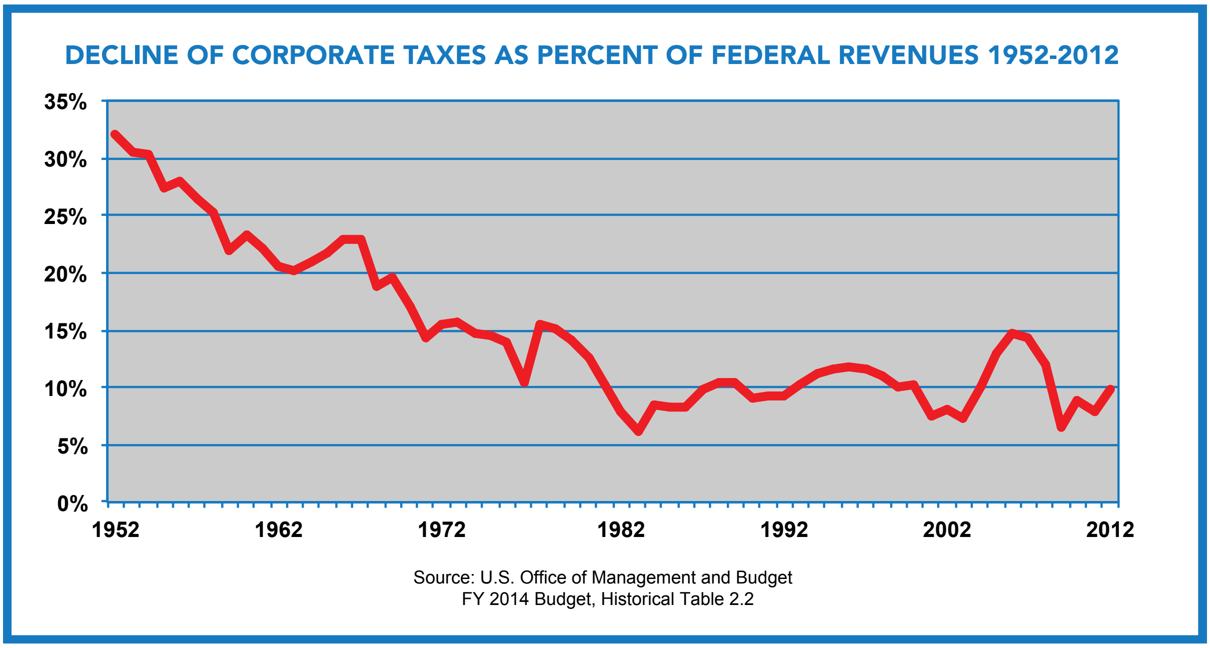
America's 35% tax rate is the highest among industrialized nations, but very few companies pay anything like those rates. Total corporate federal taxes paid fell to 12.1% of U.S. profits in 2011, according to the Congressional Budget Office. The average profitable company in the Fortune 500 paid just 18.5% of its profits in federal income taxes between 2008 and 2010, according to Citizens for Tax Justice, a non-partisan tax research organization. Dozens of large and profitable companies paid nothing in recent years.

CEOs who are the face of various corporate pro-austerity, anti-tax campaigns with names like Fix the Debt, The LIFT America Coalition, The RATE Coalition and even the long-standing Business Roundtable, preach a theory that cutting corporate taxes is "pro-growth." But they neglect to say that the growth is of their corporate bottom lines, not the economy and certainly not social well-being.

Though many of these austerity crusaders have corporate retirement plans that will provide tens- and even hundreds of thousands of dollars PER MONTH in their retirement, these CEOs shamelessly argue for cutting monthly Social Security benefits and raising the retirement age to 70 – which automatically reduces seniors' retirement benefits by 20%.

It wasn't always this way. There was a time, not so long ago, when America's largest businesses did not question the need for taxes to pay for investments in education, infrastructure and basic research that benefited businesses and citizens alike. It was from these investments that things like computers, the Internet and life-saving drugs and medical technology emerged in life-changing ways.

In 1952, under Republican President Dwight D Eisenhower, corporate income taxes were nearly a third of the federal government's receipts but had declined to less than 10% by 2012. This is due to a corporate tax code riddled with loopholes, perks and preferences won by corporate lobbyists and backed by millions of dollars of campaign gifts to Members of Congress.



This report looks at 10 U.S. corporations that have used an array of tax loopholes and corporate subsidies to slash their tax bills. Here are a few of the loopholes and subsidies:

The offshore tax loophole. This gaping loophole costs the U.S. Treasury $90 billion a year by letting corporations ship profits and jobs overseas. It was originally established to encourage U.S. multinational corporations to expand their businesses into other countries; for instance, to encourage car manufacturers to build plants and sell cars in Germany or England. If profits from those sales were reinvested in new and better plants overseas, that money would not be subject to U.S. income taxes. But starting a couple of decades ago, corporate tax attorneys and accountants found ways to stretch this concept and set up ways for companies to register intellectual property, such as patents or trademarks, in low-tax nations, called tax havens.

When a product is sold in America, a chunk of the purchase price is sent to the tax haven to pay for use of the patent, and these funds escape U.S. taxes. One of the companies profiled in this report is **Microsoft**, which sends 47 cents of every U.S. sales dollar to Puerto Rico to pay for patents on discoveries largely made in the United States. **Pfizer** has turned these tax-avoiding paper transactions into an art form – it sells 40% of its drugs here but hasn't reported any U.S. profits in five years. **Merck** and **Citigroup** also benefit from offshore tax loopholes.

The excessive CEO pay tax dodge. This loophole was created in 1993 when Congress passed legislation seeking to cap the deductibility of executive compensation to no more than $1 million per year per executive. Companies could continue to pay whatever they wanted, taxpayers just wouldn't be subsidizing more than the first $1 million per executive. As the bill moved through Congress, a loophole was inserted that exempted all pay considered to be "performance based." Rather than reining in pay, the effect of the law with the loophole intact was an explosion of stock-based compensation. This loophole costs the U.S. Treasury $8 billion a year. **Honeywell** is one of the company's profiled that has used this loophole to save on its taxes.

The corporate malfeasance tax dodge. When you get a parking ticket or a speeding ticket, come tax day you are out of luck because such fines are not tax deductible. But if you are a corporation, the costs of corporate crimes and abuse are most often tax deductible, in effect forcing other taxpayers to subsidize their abusive behavior. When **Bank of America** paid to settle claims that its foreclosure practices violated the rights of customers who lost their homes or when **ExxonMobil** paid $1.1 billion to settle claims for the Exxon Valdez oil spill, their tax deductions of these costs meant the rest of us picked up some of the tab for their harmful practices.

The paying business to do what it would do any way tax subsidy. Several companies profiled were able to sharply cut their taxes by taking advantage of special tax write-offs associated with the 2009 stimulus bill. Corporations have long been allowed to deduct a portion of the cost of their property and equipment over the life of the asset. But the 2009 law allowed companies to immediately write-off 50% of the value of the equipment in the year the purchase was made, regardless of how long the equipment was expected to last. While the intent of the legislation was to get businesses to spend more to stimulate the economy, in reality most companies got enormous tax breaks for doing what they were going to do anyway. **FedEx** and **Verizon** are big beneficiaries of this subsidy as they buy aircraft and build cell phone towers.

Bank Bailout, round 2. America's taxpayers spent more than $2 trillion to bailout America's financial institutions during the recent banking crisis. But the terms of the bailout did not address whether the financial institutions involved could use the losses incurred during the crisis to reduce their taxes for years to come, in effect, giving them a second bailout. **Bank of America** used its losses as a get-out-of-taxes free card. Many other banks and financial institutions did the same.

IT DOESN'T HAVE TO BE THIS WAY

There are two bills in Congress that would close some of these loopholes and ensure that some companies pay their fair share of taxes.

The Cut Unjustified Tax Loopholes Act (S. 268, introduced by Sen. Carl Levin (D-MI)) would close offshore loopholes by establishing command and control provisions that would treat foreign subsidiaries controlled from America as U.S businesses for tax purposes. It would also end some of the deductions corporations presently enjoy from stock-option based pay of corporate executives, and close some of the oil and gas subsidies in the tax code.

The Corporate Tax Dodging Prevention Act (S. 250, introduced by Sen Bernie Sanders (I-VT) and H.R 694, introduced by Rep. Jan Schakowsky (D-IL)) would end the current practice of deferral that allows companies to avoid taxes on offshore profits, both those earned offshore and those shifted there through accounting gimmicks. This bill would tax the global profits of U.S. corporations and provide for a 100% foreign tax credit for any taxes paid to foreign governments. It would raise $590 billion over ten years according to the Congressional Joint Committee on Taxation.

There is widespread and growing public opinion among the American public and the small business community that corporate tax loopholes need to be closed so we have the money to invest in a more promising future. This support is seen across the political spectrum. Corporate tax dodging is not a Republican issue or a Democratic issue, it is an American issue. The American people are saying it is long past time that corporations step up and pay their fair share to fix the debt and assure that our country has sufficient public investment to create opportunities for all to succeed in their life, their liberty and the pursuit of happiness for they and their families.

Bank of America

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CORPORATE TAX DODGER

Bank of America has capitalized on massive taxpayer bailouts and various tax-dodging strategies to remain the largest U.S. bank.

- **Bank of America reported $17.2 billion in accumulated offshore profits in 2012. It would owe $4.3 billion in U.S. taxes if these funds were brought back to the U.S.**
- **Bank of America avoids federal income taxes by running its business through more than 300 offshore tax-haven subsidiaries.**
- **Bank of America paid $2.7 billion to settle abusive lending charges last year. It saved more than $1 billion on its 2012 tax bill by deducting the costs of those settlements.**
- **Bank of America has reduced its tax liability to zero, by deducting the same losses that taxpayers already bailed them out of once before.**
- **Bank of America's CEO plays a leading role in coalitions that want to cut corporate taxes, cut Social Security and raise the retirement age from 67 to 70. His $9 million company retirement account will provide him with a $50,571 monthly retirement check – forty times the amount a typical senior gets from Social Security.**

BANK OF AMERICA AVOIDS U.S. TAXES BY STASHING PROFITS IN OFFSHORE TAX HAVENS

Bank of America reported $17.2 billion in accumulated offshore profits in 2012, according to its Security and Exchange Commission (SEC) filing. The company reported that it would owe $4.3 billion in U.S. taxes if these funds were brought back to this country. This indicates that Bank of America has paid just 10% in tax to foreign governments on these offshore earnings, which means most of those offshore profits are U.S. profits shifted to tax havens.

Of Bank of America's 594 foreign subsidiaries, 313 are registered in offshore tax havens, including 175 in the Cayman Islands. Tax havens often impose little or no income taxes, and as long as the profits are held offshore Bank of America avoids U.S. taxes. There are 161 corporations registered in the Cayman Islands per hundred citizens, one of the highest ratios of any country on earth. Only the United Kingdom has more investment by U.S. corporations than the Cayman Islands.

ABUSIVE LENDING PRACTICES CUT THE TAX BILL

Late last year Bank of America reached a settlement with Fannie Mae over abusive lending practices that led to the loss of hundreds of thousands of families' homes. The settlement reduced Bank of America's 2012 earnings by $2.7 billion, But since settlements pertaining to corporate malfeasance are tax-deductible, Bank of America saved hundreds of millions of dollars on its 2012 tax bill. Many of the same families harmed by Bank of America's lending practices are now forced to pick up a share of the taxes the bank avoided.

BAILED OUT TWICE, ONCE DIRECTLY, A SECOND TIME WITH TAX LOOPHOLES FOR LOSSES

Bank of America received $45 billion in TARP loans in 2008 to keep the giant bank in business. It also received tens of billions of dollars in virtually zero-interest loans daily from a secret lending program operated by the Federal Reserve between 2007 and 2010, loans that the bank used to generate $1.5 billion in income at taxpayers' expense, according to Bloomberg.

Bank of America was bailed out a second time when it was allowed to keep the losses generated by its financial near-collapse and use them to reduce its future taxes, effectively forcing taxpayers to subsidize its business failures. Over the last three years, Bank of America has written off more than $69 billion in bad loans Because of these losses the bank paid no net federal income tax between 2010 and 2012, according to its SEC filings, and instead claimed $941 million in refunds from the IRS.

BANK OF AMERICA'S JOB DESTRUCTION HAS HURT THE ECONOMY

Bank of America has been slashing jobs for the last decade. More than 20,000 of these job cuts have occurred in the last two years. The majority of Bank of America's employees are in the United States, but it does not report data on the number of employees who work here.

BANK OF AMERICA WANTS TO "FIX THE DEBT" BY CUTTING SOCIAL SECURITY

Bank of America's CEO Brian Moynihan is a member of the CEO Council of Fix the Debt, a lobbying effort of more than 100 CEOs aimed at cutting earned benefit programs like Social Security in order to pay for corporate tax cuts. A top priority is to create a "territorial tax system" that would allow corporate profits stashed offshore to be forever U.S. tax-free, thereby encouraging the shipment of profits and jobs overseas. Moynihan is also a member of the Business Roundtable, which wants Congress to cut corporate taxes and to raise the Social Security retirement age from 67 to 70 – a benefit cut of about 20%.

Moynihan was paid $12.1 million in 2012, a 73% pay raise over the previous year. And he doesn't need to rely on Social Security since his Bank of America corporate retirement account was worth $8.9 million at the end of 2011. If this amount was converted into an

Methodology: Sources for corporate income taxes, employment and executive compensation are explained here.
http://www.americansfortaxfairness.org/tradingcards/

citigroup

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CORPORATE TAX DODGER

Citigroup is America's third largest bank. It operates the world's largest financial network, with offices in 140 nations. Citigroup also has an extensive network in the world's tax haven countries and it uses this network to dodge U.S. taxes.

- **Citigroup had $42.6 billion in foreign profits parked offshore in 2012 on which it paid no U.S. taxes. The company reported that it would owe $11.5 billion if it brings these funds back to the United States. A significant share of this money is being held in tax-haven countries that tax profits lightly, if at all.**
- **Last year Citigroup spent $6 million lobbying Congress; it succeeded in passing its top legislative priority – a tax loophole exempting some profits earned overseas from U.S. taxes that will cost taxpayers $11 billion over two years.**
- **U.S. taxpayers subsidize Citigroup's malfeasance because the tax code allows the company to deduct from its taxes the costs of judgments it pays. Citigroup recently settled a $2.2 billion lending abuse case and a $158 million mortgage fraud case.**
- **Citigroup's CEO Michael Corbat is a leader of Fix the Debt and the Business Roundtable, two corporate-financed groups calling for cuts to government spending and increases in the Social Security retirement age, while pressing for more corporate tax cuts. Corbat's Citigroup retirement fund is worth $7.4 million, which will generate a $42,090 monthly retirement check. That's 33 times more than the $1,265 a month the average Social Security retiree gets.**

CITIGROUP'S AN ATM: AVOIDING TAXES MACHINE

The global banking giant makes aggressive use of the world's tax-haven network. This allowed it to hold $42.6 billion in offshore untaxed profits in 2012, according to its annual SEC report. Citigroup tells shareholders in this report that it would owe $11.5 billion in U.S. income tax if it brought these funds home. This means the company paid just 8% in taxes to foreign governments on these funds. With such a low tax rate, it is clear that much of these funds are being held in tax-haven nations, which impose little or no taxes on corporate income.

As recently as 2008 the company made a full disclosure of its subsidiaries, producing a list that ran 65 pages in its annual SEC filings. When the U.S. Government Accountability Office last counted up the number of subsidiaries in foreign tax havens of America's 100 largest businesses in 2008, Citigroup ranked first, with 427 of its 1,240 subsidiaries in tax-haven nations.

The following year Citigroup made understanding its offshore activities more opaque, by limiting its report of subsidiaries to those it deemed "significant", omitting information about thousands of subsidiaries and slashing the report to just five pages. Today the report is slightly more than two pages in length and lists just 63 foreign subsidiaries, a third of which are in tax-haven nations.

U.S. TAXPAYERS SUBSIDIZE CITIGROUP'S MALFEASANCE

Citigroup takes advantage of loopholes in the tax code that allow corporations to deduct the cost of corporate malfeasance from their taxes. Last year Citigroup announced a $2.2 billion settlement with state attorneys general to cover damages caused by the company's lending abuses leading up to the financial crisis. It can be taken as a deduction on the firm's taxes, and while Citigroup has yet to announce how much it will save in taxes, it will almost certainly run to the hundreds of millions of dollars. This loophole effectively shifts part of the cost of the bank's abusive lending practices to other taxpayers.

Last year Citigroup also settled a mortgage fraud case brought by the U.S. Department of Justice. The bank agreed to pay $158 million, but after its tax write-offs, the settlement wound up costing just $125 million. Other taxpayers picked up the tab for $33 million of damages Citigroup caused when it misrepresented the quality of its loans in order to gain federal insurance.

CITIGROUP USES ITS LOBBYING CLOUT TO WIN TAX BREAKS

Last year, Citigroup spent $6 million lobbying Congress, and taxes were the company's second highest priority issue, according to OpenSecrets.org. The bill that Citigroup lobbied most heavily on was to renew the Active Financing Exemption to the tax code. As the name suggests, the provision would create an exemption to normal tax rules that do not allow corporations to shift their profits offshore for the purpose of avoiding taxes. Citigroup won renewal of this lucrative loophole as a part of the New Year's fiscal-cliff tax deal. The active financing exemption will cost taxpayers more than $11 billion over two years.

More than 85% of Citigroup's lobbyists (53 of 62) are former Members of Congress or their staffs, a group that OpenSecrets.org labels part of Washington's powerful "revolving door."

CITIGROUP'S CEO IS A LEADER IN CAMPAIGNS PRESSING FOR CORPORATE TAX CUTS AND CUTS TO SOCIAL SECURITY

CEO Michael Corbat is on the Steering Committee of Fix the Debt, a well-funded CEO-led effort to slash federal spending, cut Social Security and Medicare, and shift to a corporate territorial tax system that would make offshore profits permanently U.S. tax-free, giving a huge windfall to Citigroup and others that exploit offshore tax loopholes to shift profits and jobs overseas. Corbat is also a member of the Business Roundtable, a lobbying club of more than 200 CEOs who recently called for the Social Security retirement age to be raised from 67 to 70, a benefit cut of about 20%. The Business Roundtable is also pressing for more corporate tax cuts.

Corbat has been CEO of Citigroup for less than a year and as a result has yet to amass the enormous retirement assets common among CEOs. But even so, Corbat's $7.4 million in his Citigroup retirement account is enough to deliver him a monthly retirement check of $42,090 once he turns 65. This is 33 times the $1,265 monthly check received by the average Social Security retiree, whose benefits Corbat and his CEO pals seek to cut.

Methodology: Sources for corporate income taxes, employment and executive compensation are explained here. http://www.americansfortaxfairness.org/tradingcards/.

ExxonMobil

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CORPORATE TAX DODGER

ExxonMobil, America's largest company, has made a killing from rising world oil prices and its investments in fracking, but it has also enjoyed massive taxpayer subsidies from corporate tax loopholes.

- **ExxonMobil had a three-year federal income tax rate of just 15%, less than half the official 35% corporate tax rate. This gave the company a tax subsidy worth $6.2 billion from 2010-2012.**
- **In 2009, ExxonMobil reported $2.5 billion in U.S profits and got a federal tax rebate of $954 million.**
- **ExxonMobil had $43 billion in offshore profits at the end of 2012, on which it paid no U.S. taxes.**
- **When ExxonMobil finally settled legal claims from the Exxon Valdez spill in Alaska, deducting the cost of the settlement reduced the company's tax bill by half a billion dollars, which other taxpayers paid for. ExxonMobil spent $193 million lobbying Congress over the last 15 years. Taxes topped the company's list of lobbying issues in 2012.**

AFTER A CENTURY, TAX CODE STILL GUSHING WITH OIL COMPANY SUBSIDIES

The first oil company subsidies were adopted a century ago. Today, oil companies are among the most profitable corporations in America, with ExxonMobil alone reporting global profits of $44.9 billion in 2012. Despite these extravagant profits, the U.S. continues to give more than $4 billion a year in tax subsidies to energy producers.

Subsidies are one of the reasons ExxonMobil has paid less than half the official U.S. corporate income tax rate of 35%. Between 2010 and 2012, ExxonMobil reported more than $30 billion of U.S. pre-tax income and paid $4.6 billion in corporate income taxes, according to its Securities and Exchange Commission filings. That's a tax rate of just 15% compared to the official corporate tax rate of 35%. This tax subsidy cut ExxonMobil's taxes by $6.2 billion over three years. In 2009, ExxonMobil got an even better deal when the company reported $2.5 billion in U.S profits and got a federal tax rebate of $954 million, according to Citizens for Tax Justice.

ExxonMobil had also accumulated $43 billion in offshore profits by the end of 2012, on which it paid no U.S. taxes. Nearly one-third (29 of 92) of ExxonMobil's foreign subsidiaries are registered in tax-haven nations that impose little to no tax on corporate profits.

ExxonMobil also aggressively seeks state tax subsidies. In Louisiana, where the company operates refineries and chemical plants, it received $136 million in property tax abatements in 2011, according to Subsidy Tracker, a project of Good Jobs First. The state of Louisiana also issued more than $500 million in tax-exempt bonds on behalf of ExxonMobil.

U.S. TAXPAYERS PAID FOR HALF OF EXXONMOBIL'S PENALTY FOR THE EXXON VALDEZ DISASTER

ExxonMobil has also taken advantage of loopholes that allow corporations to deduct the costs of their malfeasance as an "ordinary business expense." After two decades of stalling in court, ExxonMobil settled claims in 2011 arising from the 1989 ecological tragedy that occurred when the Exxon Valdez ran aground in Alaska's Prince William Sound. Under the settlement, ExxonMobil paid $1.1 billion, but after tax deductions the company wound up paying just $524 million. Taxpayers picked up more than half the cost of the damages caused by ExxonMobil's impaired crew.

DRILLING FOR TAX LOOPHOLES IN D.C.

ExxonMobil has spent more than $193 million lobbying Congress over the last 15 years, according to OpenSecrets.org. That's nearly $65,000 every working day for a decade and a half. Taxes topped ExxonMobil's list of lobbying issues in 2012. The company lobbied on 112 tax bills between 2007 and 2009, according to the Sunlight Foundation.

ExxonMobil CEO Rex Tillerson is a member of the Business Roundtable, a club of large company chief executives that is leading the charge for corporate tax cuts and for raising the Social Security retirement age from 67 to 70– a benefit cut of 20%.

CEO TILLERSON DOESN'T NEED TO WORRY ABOUT HIS SOCIAL SECURITY, AS EXXONMOBIL'S TAX SUBSIDIES PAD HIS POCKETS

With tax subsidies boosting corporate profits and corporate profits boosting CEO pay, ExxonMobil paid Tillerson $35.9 million in 2011, nearly $100,000 a day including weekends! Tillerson's ExxonMobil retirement account totaled $56.2 million at the end of 2011, enough to provide him with a monthly retirement check of $318,380, starting at age 65. In contrast, the average Social Security retiree receives a check for $1,265 a month.

EXXONMOBIL'S JOB DESTRUCTION HARMS THE ECONOMY

Since, the year before Exxon and Mobil merged, the company has slashed its global workforce by 36%, eliminating more than 43,000 jobs. In just the last three years, ExxonMobil has cut 6,700 jobs, reducing its workforce by 8% and exacerbating the American jobs crisis.

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FedEx

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CORPORATE TAX DODGER

FedEx, the world's largest express transportation company, is also quick and nimble at dodging taxes. Some of its windfall goes to lobbying for spending cuts and other policies that hurt ordinary taxpayers.

- **FedEx made $6 billion over the last three years and didn't pay a dime in federal income taxes, in part because the tax code subsidized its purchase of new planes.**
- **This gave FedEx a huge tax subsidy worth $2.1 billion. Its chief competitor, United Parcel Service, paid 39.4% of its income in federal taxes during that period.**
- **While dodging paying its fair share of federal income taxes, FedEx pocketed $10.3 billion in taxpayer-Express and Priority Mail for the U.S. Postal Service.**
- **FedEx spent $50 million lobbying Congress the last three years; tax issues were one of its priorities.**
- **Because of investments in labor-saving technology and developing its overseas network, FedEx has eliminated nearly 1,600 American jobs since 2001 while adding nearly 14,600 jobs overseas.**

CONGRESS DELIVERS PACKAGE OF TAX SUBSIDIES THAT ALLOW FEDEX TO OPERATE TAX-FREE

FedEx reported U.S. pre-tax profits of nearly $6 billion between 2010 and 2012 and yet claimed $5 million in tax refunds from the IRS, according to the company's filings with the Securities and Exchange Commission (SEC). FedEx had an effective three-year tax rate of negative 0.1% compared to the official corporate tax rate of 35%. This huge tax subsidy cut FedEx's taxes by $2.1 billion over three years.

This windfall was due to the corporate tax subsidies in the 2008 economic stimulus bill and subsequent renewals of key portions of this law, which meant the company could deduct the full cost of new airplanes and other equipment in the year they were purchased, rather than spreading the tax deduction over decades. To paraphrase FedEx's own advertising jingle, without this loophole FedEx would have absolutely, positively had to pay taxes.

Under this provision, known in Washington as "special accelerated depreciation," in essence taxpayers were paying for up to 35% of the cost of these new planes, most of which FedEx would have purchased anyway. FedEx will have to pay back some of these taxes in years to come, but in the meantime they've received a big non-interest loan paid for by other taxpayers. With a gift like that, you'd think they'd at least paint our names on the side of their aircraft – maybe the "Jane Q. Taxpayer," or even the "Uncle Sam."

WHILE DODGING FEDERAL TAXES, FEDEX POCKETS LUCRATIVE FEDERAL GOVERNMENT CONTRACTS

FedEx raked in $10.3 billion in federal contracts from 2006 to 2012, according to the federal government, putting the company in the top 50 year after year. As the leading beneficiary of Post Office privatization, FedEx provides air transport for all of the Postal Service's express mail and many Priority Mail shipments. The U.S. Postal Service pays FedEx more than $1 billion a year for these services. In addition, FedEx is the only private delivery company allowed to have its collection boxes co-located at U.S. Post Offices, allowing it to compete directly with the Post Office for express mail services.

FEDEX FIGHTS FOR GOVERNMENT AUSTERITY AND FOR CUTTING CORPORATE TAXES

FedEx Founder and CEO Fred Smith is a member of the Business Roundtable, a club of over 200 CEOs that is lobbying to lower corporate taxes and to raise the Social Security retirement age from 67 to 70 – a benefit cut of 20%. FedEx is also one of the backers of the RATE Coalition, a group that is leading efforts to dramatically reduce the corporate income tax rate, despite corporate taxes as a percent of total federal revenue having plummeted by two-thirds over the last 60 years, according to the Office of Management and Budget.

FEDEX CEO CAN AFFORD TO CALL FOR SOCIAL SECURITY CUTS–HE'LL NEVER NEED IT

Smith's total compensation in 2012 was $13.7 million, up 88% over the preceding year. His company-provided retirement benefits were worth $25.6 million in 2012. If converted to an annuity at age 65, Smith would receive a monthly retirement check of $144,952 for the rest of his life. The average Social Security retiree receives just $1,265 a month.

MR. SMITH GOES TO WASHINGTON (AND FIGHTS AGAINST ALLOWING WORKERS TO UNIONIZE)

What's FedEx doing with its tax-dodging windfalls? From 2010-2012, FedEx spent more than $50 million lobbying Congress (ten times as much as it got back from the IRS during the period). Tax issues were a lobbying priority, but FedEx's top target was to defeat legislation that would bring its non-union drivers under the same labor law as United Parcel Service's unionized drivers. Currently, FedEx drivers are governed by a law that makes it harder for employees to unionize. FedEx succeeded in defeating this change. Ironically, UPS paid an effective federal income tax rate of 39.4% from 2010 to 2012, according to the company's SEC filings, whereas FedEx's income tax rate was negative 0.1%.

FEDEX IS CUTTING AMERICAN JOBS AND GROWING JOBS OVERSEAS

Though FedEx's revenues have more than doubled since 2001, investments in labor-saving technology and in expanding its international delivery network have left it a net destroyer of U.S. jobs. FedEx reduced its full-time U.S. workforce by1,590 jobs from 2001 to 2012 while it increased its foreign workforce by 14,590 during those years, according to its annual SEC reports.

Methodology: Sources for corporate income taxes, employment and executive compensation are explained here. http://www.americansfortaxfairness.org/tradingcards/.

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CORPORATE TAX DODGER

General Electric, America's sixth-largest corporation, makes more money from finance than from light bulbs these days, but aggressive tax-dodging is the core of its business model.

- **GE made $88 billion over the last 11 years but used corporate tax loopholes and offshore tax havens (where it has stashed $108 billion) to reduce its federal income tax rate to just 2.4%. GE received a tax subsidy of nearly $29 billion over the 11 years.**

- **In four of those years, GE reported more than $22 billion in U.S. profits, yet paid no federal income taxes and received $4.8 billion in tax rebates.**

- **While dodging paying its fair share of federal income taxes, GE pocketed $21.8 billion in taxpayer-funded contracts from Uncle Sam between 2006 and 2012.**

- **GE's CEO plays a leading role in coalitions that want to cut corporate taxes, cut Social Security, and raise the retirement age from 67 to 70. His $59 million GE retirement account is enough to provide him with a $336,007 retirement check each month.**

- **GE has eliminated more than 15,000 American jobs since 2004, while adding 30,000 jobs overseas during that time.**

GE'S 975-PERSON TAX DEPARTMENT HAS TURNED TAX AVOIDANCE INTO AN ART FORM

GE's corporate tax return is so loaded with deductions and tax credits that it totaled more than 57,000 pages in 2011. Over the last 11 years (2002-2012), GE reported more than $88 billion in U.S. pre-tax profits and yet paid just $2.1 billion in federal income taxes, according to company filings with the Securities and Exchange Commission (SEC). GE paid a paltry tax rate of just 2.4% compared to the official corporate tax rate of 35%. This huge tax subsidy cut GE's taxes by $28.9 billion over the 11 years.

In four of those years (all profitable), the company reported $22.5 billion in U.S. profits, yet paid no federal income taxes and received $4.8 billion in tax rebates, according to Citizens for Tax Justice.

Eighteen of GE's 50 foreign subsidiaries are registered in offshore tax havens. Last year, GE reported that it had socked away $108 billion in profits offshore, the largest untaxed foreign stash of any U.S. corporation.

One of the major reasons GE pays so little in taxes is a particular offshore tax loophole known as the "Active Financing Exception," which, as its official name indicates, is an exception to the normal rules that don't allow corporations to shift profits overseas to avoid paying U.S. taxes.

Congress axed this loophole in 1986, but GE led a fierce lobbying effort to bring it back in 1997. That year it passed as a one-year temporary measure. Congress has renewed it seven times since, most recently in January 2013 as a part of the large corporate tax giveaway that was in the "fiscal cliff" deal (the same giveaway that rewarded NASCAR track owners and Puerto Rican rum producers).

WHILE DODGING TAXES, GE POCKETS LUCRATIVE TAXPAYER-FUNDED CONTRACTS

GE raked in $21.8 billion in federal contracts from 2006 to 2012, according to the federal government, putting the company in the top 25 year after year. The bulk of its business is with the military, providing jet engines and other aircraft components.

GE HAS NOT JUST SHIFTED PROFITS OFFSHORE, BUT ALSO U.S. JOBS

Big companies like to argue that they would hire lots more U.S. workers if only they didn't have to pay so much in taxes. GE proves that a very low tax rate does not provide the incentive to create jobs at home. Since 2004, GE has cut its U.S. workforce by more than 15,000, while adding about 30,000 jobs overseas, according to the company's annual reports filed with the SEC.

GE'S CEO LEADS THE CHARGE FOR CORPORATE TAX CUTS AND SOCIAL SECURITY CUTS

As the long-time head of President Obama's Council on Jobs and Competitiveness, Jeff Immelt has enjoyed even greater access to the President than other business executives. He is also on the Steering Committee of Fix the Debt, a heavily funded campaign of more than 100 CEOs who are advocating cuts to Social Security and Medicare, and a shift to a "territorial tax system" that would allow corporate offshore profits to be forever U.S. tax-free, thereby encouraging the shipment of profits and jobs overseas. Immelt is also part of another CEO club, the Business Roundtable, which wants Congress to cut corporate taxes and raise the Social Security retirement age from 67 to 70 – a benefit cut of 20%.

IMMELT NEEDN'T WORRY ABOUT HIS RETIREMENT SECURITY – BUT HIS EMPLOYEES SHOULD WORRY ABOUT THEIRS

Jeff Immelt's GE retirement accounts were worth $59.3 million at the end of 2012. That can assure him a monthly retirement check of $336,007 starting at age 65. The average Social Security retiree check is just $1,265 a month. In contrast to its gilded CEO retirement, GE's worker pension fund is underfunded by $24 billion, the largest pension deficit in corporate America. After 24 years of not putting a dime into its pension fund, federal law required the company to begin to close this funding gap. GE responded by closing its pension fund to new participants in 2011, shifting new hires to a cheaper, less secure 401(k) plan.

GE, A TOP WASHINGTON LOBBYIST, MAKES CORPORATE TAX CUTS ITS HIGHEST PRIORITY

GE is consistently ranked among the top five federal corporate lobbyists. Over the last 15 years, GE has spent more than $284 million lobbying Congress, an average of $100,000 every working day for the last decade and a half. During the last two years, GE's top legislative priority was winning renewal of the "active financing exception" tax loophole profiled above.

Methodology: Sources for corporate income taxes, employment and executive compensation are explained here. http://www.americansfortaxfairness.org/baseball-methodolgy/.

Honeywell

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CORPORATE TAX DODGER

Honeywell is a leading manufacturer of auto parts, defense equipment, and energy-efficiency controls. CEO David Cote has been a leader with Fix the Debt, and one of the most vocal corporate executives calling for deep federal spending cuts, including cuts to Social Security and Medicare. All the while both he and his company take advantage of lucrative tax loopholes benefitting CEOs and corporations.

- **Honeywell had profits of $5 billion from 2009 to 2012, yet it paid just $50 million in federal income taxes.**
- **Honeywell's tax rate was just 1% over the last four years – the official corporate tax rate is 35%. This gave Honeywell a huge tax subsidy worth $1.7 billion.**
- **Honeywell had $11.6 billion in profits socked away offshore at the end of 2012, on which it paid no U.S. taxes.**
- **While dodging paying its fair share of federal income taxes, Honeywell pocketed $16.7 billion in taxpayer-funded contracts from Uncle Sam between 2006 and 2012.**
- **Honeywell's CEO is a leader in calling for cuts to government spending and increases in the Social Security retirement age, while pressing for more corporate tax cuts. His monthly check from his Honeywell retirement assets will be over $750,000; the average Social Security retiree gets a monthly check of $1,265.**

A WAY TO "FIX THE DEBT" WOULD BE TO CLOSE TAX LOOPHOLES HONEYWELL AND ITS CEO EXPLOIT

Though Honeywell has been profitable in each of the last four years, reporting $5 billion in U.S. profits from 2009 to 2012, the company paid just $50 million in federal income taxes, according to company reports filed with the Securities and Exchange Commission (and analyzed by Citizens for Tax Justice in order to adjust for the tax impact of stock-option compensation loophole.). That's an effective tax rate of just 1%. However, the corporate income tax rate is 35%, which means that tax gap allowed Honeywell to avoid taxes of up to $1.7 billion.

Honeywell had $11.6 billion in profits socked away offshore at the end of 2012, on which the company paid no U.S. taxes. This represented a $3.5 billion increase, or 43%, over 2011. In its tax disclosure, Honeywell notes a decrease of earnings from its Luxembourg subsidiary as a reason it paid more in taxes in 2012 than 2011. Interestingly, Honeywell lists no plants or other facilities in Luxembourg, a widely used corporate tax haven, suggesting that the company books transactions in this tiny country, which does not tax corporate income, in order to avoid taxes in the United States and elsewhere.

WHILE DODGING FEDERAL TAXES, HONEYWELL POCKETS LUCRATIVE FEDERAL CONTRACTS

Honeywell raked in $16.7 billion in federal contracts from 2006 to 2012, according to the federal government, putting the company in the top 50 year after year. The bulk of its business is with the Pentagon, but Honeywell also sells energy efficiency equipment used in government buildings.

HONEYWELL'S CEO DEMANDS AUSTERITY WHILE PRESSING FOR CORPORATE TAX CUTS

Honeywell's CEO David Cote was a member of President Obama's Deficit Commission, known as the Simpson-Bowles Commission. He also has been one of the most visible faces of the Steering Committee of Fix the Debt, a coalition of more than 100 CEOs calling for corporate tax cuts and cuts to Social Security and Medicare. Cote is also a member of the Business Roundtable, a club for CEOs that is calling for corporate tax cuts and for raising the Social Security retirement age from 67 to 70 – a benefit cut of about 20%. Honeywell is also a founding member of the newest corporate tax-cutting coalition, dubbed Let's Invest for Tomorrow America (LIFT America). This group of 20 corporations and trade groups wants to shift to a "territorial tax system" that would allow corporate offshore profits to be forever U.S. tax-free, further encouraging the shipment of profits and jobs overseas. Honeywell spent $7 million lobbying Congress in 2012, with tax issues one of its top priorities, and more than $65 million since 1998.

INFLATED CORPORATE SALARIES SUBSIDIZED BY TAXPAYERS

In 1993, Congress reacted to public outrage over soaring executive compensation by adopting a law forbidding companies from deducting more than $1 million in pay per executive on their tax returns. The idea was companies could continue to pay executives whatever they wanted, but taxpayers would only subsidize the first $1 million per executive. But as this law neared passage, a big loophole was slipped in, one that exempted from the million-dollar limit any pay deemed linked to the company's performance. That loophole drove an explosion in stock-based pay and provided corporations the ability to effectively shift 35% of the cost of lavishly paid executives onto other taxpayers. In Honeywell's case, their top four executives received more than $30 million in performance-based pay in 2012, which allowed the company to reduce its tax bill by nearly $11 million.

CEO Cote took advantage of another loophole to dramatically lower his personal taxes. Workers approaching retirement are allowed to set aside tax-free up to $23,000 a year in deferred compensation plans, like 401(k)s or 403(b)s. But corporate executives face no limits on how much they can put in their deferred compensation accounts. In 2012, Cote put more than $30 million in his Honeywell deferred compensation account, depriving the U.S. Treasury of more than $10 million in the process.

HONEYWELL'S CEO WITH $134 MILLION IN HIS RETIREMENT ACCOUNT SEEKS SOCIAL SECURITY CUTS

After less than 11 years on the job, Cote had amassed more than $134 million in his Honeywell retirement account in 2012, a staggering 72% increase in value over the previous year. That's enough to generate a monthly retirement check of $762,004 for Cote starting at age 65. In contrast, the average Social Security retiree, whose benefits Cote and his CEO pals are eager to cut, receives just $1,265 each month.

IF LOWERING CORPORATE TAXES CREATED JOBS, HONEYWELL WOULD HAVE MORE AMERICAN EMPLOYEES, NOT FEWER

Since 2008, as Honeywell's federal income taxes declined dramatically, it increased its global workforce by 4,000, and cut its U.S. workforce by 6,000, according to its SEC filings in 2008 and 2012. This suggests that the company is not only shifting U.S. profits offshore but good American jobs as well.

Methodology: Sources for corporate income taxes, employment and executive compensation are explained here. http://www.americansfortaxfairness.org/baseball-methodolgy/.

MERCK

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CORPORATE TAX DODGER

Merck is the world's third-largest pharmaceutical company by sales. It is also a leader in exploiting offshore tax loopholes to lower its federal tax bill while collecting huge sums in federal contracts.

- **Merck had profits of $13.6 billion and paid $2.5 billion in federal income taxes from 2009 to 2012. Merck's tax rate was 18.4% over the last four years – the official corporate tax rate is 35%. This gave the drug giant a huge tax subsidy worth $2.2 billion.**
- **Merck had $53.4 billion in profits socked away offshore at the end of 2012 on which it paid no U.S. taxes.**
- **While dodging its fair share of federal income taxes, Merck pocketed $8.7 billion in taxpayer-funded contracts from Uncle Sam between 2006 and 2012.**
- **Merck spent $9.5 million lobbying Congress in 2012 and taxes were its second-highest priority.**
- **Merck's CEO is a leader in calling for cuts to government services and raising the Social Security retirement age to 70, while pressing for corporate income tax cuts. His monthly check from his Merck retirement assets will be nearly $82,000; 62 times the average Social Security retiree's monthly check of $1,265.**

MERCK'S RX FOR AVOIDING TAXES: STASH MONEY IN OFFSHORE TAX HAVENS

Merck had $53.4 billion socked away offshore at the end of 2012, according to its Securities and Exchange Commission (SEC) filing, on which it paid no U.S. taxes. This is one of the largest amounts among U.S. corporations, and it increased $9 billion over the previous year. Merck has 144 subsidiaries in tax-haven nations, with the largest numbers in the Netherlands, Ireland, Switzerland, Bermuda, and Hong Kong—nations that impose little to no taxes on income generated from patents and other intellectual property.

Merck's aggressive use of tax havens is one of the reasons it paid just $2.5 billion in taxes on $13.6 billion in profits from 2009 to 2012, according to its SEC filings. That's an effective tax rate of only 18.4%. If Merck had paid the full statutory corporate tax rate of 35% on its reported profits, it would have paid an additional $2.2 billion in federal income taxes over the period.

Merck was a major beneficiary of the 2004 American Job Creation Act, which offered U.S. corporations a deeply discounted tax rate of just 5.25% on profits they brought home (repatriated), with the idea that these windfalls would be used to create U.S. jobs. Merck repatriated nearly $16 billion, according to the Congressional Research Service, to qualify for a tax break of $4.7 billion. But rather than hiring more workers, Merck laid off 7,000 employees over the following two years.

WHILE DODGING FEDERAL TAXES, MERCK SELLS A LOT OF DRUGS TO THE FEDERAL GOVERNMENT

Merck raked in $8.7 billion in federal contracts from 2006 to 2012, according to the federal government, putting the company among the top 70 contractors year after year. Merck sells pharmaceutical products to Medicare, Medicaid, and the Veterans Administration. Like all drug companies, Merck is also a significant beneficiary of new drug development by the taxpayer-funded National Institutes of Health (NIH). An example is Merck's successful Human Papillomavirus (HPV) vaccine to prevent cervical cancer. The vaccine's active ingredient was discovered in NIH labs and licensed to Merck for further development and commercialization.

DESPITE TAX SUBSIDIES, MERCK IS A JOBS DESTROYER

Globally, Merck slashed 17,000 jobs between 2009 and 2012; 9,500 of these jobs were in the U.S. Even while accepting state tax subsidies, Merck has responded by cutting jobs. Pennsylvania provided Merck more than $20 million in research and development tax credits to support scientific jobs in 2010 and 2011, according to Good Jobs First's Subsidy Tracker database. In late 2011, Merck announced it would cut 12-13% of its workforce over the next four years. The company did not release state-by-state details, but industry observers estimated 3,000 to 4,000 jobs would be lost in Pennsylvania and New Jersey.

MERCK'S CEO JOINS CORPORATE CALL FOR SOCIAL SECURITY CUTS, WHILE ENJOYING HIS OWN GILDED RETIREMENT BENEFITS

Merck CEO Kenneth Frazier is on the Steering Committee of Fix the Debt, a corporate-funded campaign of more than 100 CEOs. It advocates for cuts to Social Security and Medicare, corporate tax cuts and a shift to a "territorial tax system" that would allow corporate offshore profits to be forever U.S. tax-free, thereby encouraging the shipment of profits and jobs overseas. However, Frazier has pointed out that he favors shielding the Medicare Part D drug program from any across-the-board sequester cuts. Medicare Part D after all generates big profits for his firm.

Frazier is also a member of the Business Roundtable, a powerful lobbying group of more than 200 large company CEOs. It supports making targeted cuts to Medicare and raising the Social Security retirement age from 67 to 70 – a benefit cut of about 20%.

Frazier wouldn't be hurt by the cuts to Social Security because his Merck retirement accounts were worth $14.4 million at the end of 2011 (most recent data available), enough to generate a $81,772 monthly retirement check starting at age 65. That's 62 times more than the average Social Security retiree, whose benefits are just $1,265 each month.

TAXES ARE A TOP LOBBYING PRIORITY OF MERCK

Merck spent $9.5 million lobbying Congress in 2012 and nearly $89 million since 1998, according to OpenSecrets.org. In 2012, taxes were Merck's second-highest lobbying priority.

Methodology: Sources for corporate income taxes, employment and executive compensation are explained here. http://www.americansfortaxfairness.org/tradingcards/.

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Microsoft CORPORATE TAX DODGER

Microsoft is the world's largest software producer and dominates the computer operating system market. It is also one of the leading players in the offshore tax-dodging game.

- **Microsoft saved $4.5 billion in federal income taxes from 2009 to 2011 by transferring profits to a subsidiary in the tax haven of Puerto Rico.**
- **Microsoft had $60.8 billion in profits stashed offshore in 2012 on which it paid no U.S. taxes. Microsoft says it would owe Uncle Sam $19.4 billion if it brings the profits home. Its untaxed profits increased a whopping $16 billion, or 36% over the last year.**
- **Microsoft appears to pay more than its fair share of taxes but that's deceiving. It had profits of $20 billion and paid $9.8 billion in federal income taxes from 2010 to 2012. This apparent 49% effective tax rate is deceiving since Microsoft has mastered the art of turning sales on products developed and sold in the U.S. into profits booked in a tax haven like Puerto Rico. By moving these profits offshore, Microsoft keeps its U.S. profits artificially low, and its reported tax rate way overstated.**
- **Over the last three years, Microsoft has had in the United States more than 75% of its long-lived assets and nearly 55% of its sales, yet reported just 26.6% of its sales here. If it had reported 55% of its profits in America it would have owed $16.6 billion more in U.S. corporate income taxes than it paid. That subsidy is attributable to offshore tax loopholes.**
- **Microsoft's CEO is a leader in calling for cuts to government spending and increases in the Social Security retirement age, while pressing for more corporate tax cuts. He can afford it, as he owns Microsoft stock valued at more than $9.5 billion. The average Social Security retiree gets a monthly check of just $1,265.**

MICROSOFT'S TAX DODGING OPERATING SYSTEM: SHIFT PROFITS TO OFFSHORE TAX HAVENS

Microsoft appears to pay a lot in taxes – it earned $20 billion and paid $9.8 billion in federal income taxes from 2010 to 2012 – a 49% effective tax rate, according to its filings with the Securities and Exchange Commission (SEC). But a closer look reveals that the company has been aggressively shifting profits on sales of products developed and sold in the United States to tax havens like Puerto Rico.

Senator Carl Levin (D-MI), chairman of the Senate Permanent Subcommittee on Investigations, found that 47 cents of every dollar of product Microsoft sells in America gets immediately transferred to the company's subsidiary in Puerto Rico. As long as that money remains in Puerto Rico or another offshore tax haven it remains untaxed by the IRS. Senator Levin estimated that Microsoft saved $4.5 billion in federal income taxes from 2009 to 2011 – $4 million a day.

Schemes like this, have led to an explosion in Microsoft's untaxed offshore profits. Its offshore stash reached $60.8 billion in 2012, according to the company's SEC reports. This represented a $16 billion, or 36%, increase from the year before. Microsoft told shareholders that if it brought this cash back to the U.S. it would owe $19.4 billion in U.S. taxes. This suggests that it has paid foreign governments less than 10% tax on these profits, indicating that much of this money is held in tax-haven countries that impose little or no taxes on corporate profits.

Microsoft has only six foreign subsidiaries, each of them in a tax-haven nation (Ireland, Singapore, Puerto Rico and Luxembourg).

Over the last three years, Microsoft has had in the United States more than 75% of its long-lived assets and nearly 55% of its sales, yet it reported just 26.6% of its sales here. If it had reported 55% of its profits in the U.S. it would have owed $16.6 billion more in U.S. corporate income taxes than it paid. That subsidy is attributable to offshore tax loopholes.

MICROSOFT FIGHTS FOR A TERRITORIAL TAX SYSTEM TO AVOID EVEN MORE IN TAXES

Microsoft spent $8.1 million lobbying Congress in 2012, and taxes were its highest priority issue, according to OpenSecrets.org. Microsoft's highest lobbying priority in 2012 was the Freedom to Invest Act, a bill that would have established a tax holiday allowing corporations to bring their untaxed offshore profits back to the U.S. nearly tax-free. Microsoft lobbied for this legislation more than any other company last year. Nearly 80% of Microsoft's lobbyists (69 of 87) are former Members of Congress or their staffs, a group that OpenSecrets.org labels part of Washington's powerful "revolving door."

MICROSOFT'S CEO IS A LEADER IN CAMPAIGNS PRESSING FOR CORPORATE TAX CUTS AND SOCIAL SECURITY CUTS

Microsoft was a founding member of the WIN America Campaign, a short-lived effort fighting for a corporate tax holiday in 2011. Many WIN America members joined even more CEOs to launch the Campaign to Fix the Debt in 2012. Microsoft's CEO Steve Ballmer is on Fix the Debt's Steering Committee, which supports cuts to Social Security and Medicare and adoption of a territorial tax system, which would establish a permanent U.S. tax holiday on foreign earnings, give a major tax windfall to Microsoft and encourage the shifting of even more profits and jobs overseas. Ballmer is also a member of the Business Roundtable, a lobbying club of more than 200 CEOs who support raising the Social Security retirement age from 67 to 70. That's a benefit cut of nearly 20%. The Business Roundtable is also pressing for more corporate tax cuts.

Unlike many other Fix the Debt CEOs, Ballmer does not receive retirement benefits from Microsoft. He doesn't need them; he owns 333 million shares of company stock worth more than $9.5 billion. In contrast to Ballmer's personal wealth, the average Social Security retiree receives just $1,265 a month.

Methodology: Sources for corporate income taxes, employment and executive compensation are explained here. http://www.americansfortaxfairness.org/tradingcards/.

Pfizer

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CORPORATE TAX DODGER

Pfizer is the world's largest drug company. It knows the prescription for avoiding taxes and for staying in business despite a decades-long record of fraud, bribery, and illegal marketing of its products.

- **Pfizer paid no U.S. income taxes from 2010 to 2012 while earning $43 billion worldwide. It did this in part by performing accounting acrobatics to shift its U.S. profits offshore. Instead, it received $2.2 billion in federal tax refunds.**
- **Pfizer had $73 billion in profits parked offshore at the end of 2012, on which it paid no U.S. income taxes.**

  While dodging paying its fair share of federal income taxes, Pfizer pocketed $3.4 billion in taxpayer-funded contracts from Uncle Sam between 2010 and 2012.
- **When the U.S. government offered companies a deal of deep tax discounts on offshore profits they brought back home and invested in job creation, Pfizer took the $10 billion in tax savings and within a year laid off 10,000 American workers.**
- **When Pfizer was convicted of a corporate felony that would bar it from selling drugs to Medicare, the company used a loophole to get a dormant subsidiary to pay the fine for Pfizer's crime, allowing the company to continue to benefit from government contracts.**

PFIZER'S TAX AVOIDANCE RX: HIDE ALL YOUR PROFITS OFFSHORE

Pfizer has 40% of its sales and 50% of its assets in the United States, the largest and most lucrative drug market in the world. And yet the firm claims to have not made a profit here since 2007. Pfizer reported more than $9 billion in losses in the United States from 2010 to 2012, while earning more than $43 billion in profits in the rest of the world, according to its Securities and Exchange Commission (SEC) filings. It received $2.2 billion in federal tax refunds over the three-year period.

Like many other companies with valuable patents and trademarks, Pfizer takes that intellectual property and registers it in a foreign tax haven that doesn't tax corporate income. When a customer buys one of Pfizer's pills in the United States, the company sends a significant portion of the purchase price to the tax haven subsidiary to pay for the use of the patent. The profit from the sale winds up in the tax haven, while the costs of management, research, marketing, and sales remain in the United States, leaving Pfizer's domestic operations with large losses year after year.

Last year, the SEC launched an inquiry into how Pfizer could generate 40% of its sales here and yet not report any U.S. profits for four straight years. Pfizer responded by promising better disclosure and then, only months later, announced large U.S. losses – for the fifth year in a row.

Pfizer had $73 billion in profits parked offshore at the end of 2012, a $10 billion increase over 2011, on which it paid no U.S. income taxes. In 2004, Pfizer was the biggest beneficiary of the American Jobs Creation Act, a bill that offered corporations a deeply discounted 5.25% tax rate on corporate profits stashed overseas that they brought back (repatriated) to the United States. The idea was that companies would invest the windfalls from this "tax holiday" in creating new American jobs. Pfizer brought home $37 billion and pocketed more than $10 billion in tax savings. Within two years of the windfall, Pfizer had laid off 10,000 workers. Unashamed, Pfizer led the charge for another repatriation tax holiday as a lead member of the 2011 WIN America campaign, an effort that folded after less than a year.

WHILE DODGING FEDERAL TAXES, PFIZER POCKETS LUCRATIVE FEDERAL GOVERNMENT CONTRACTS

Pfizer raked in $3.4 billion in federal contracts from 2010 to 2012, according to the federal government, putting the company in the top 70 top contractors each year.

PFIZER BENEFITS FROM TAXPAYER-FUNDED RESEARCH LABS

Pfizer benefits more than most companies from government services, especially the taxpayer-funded National Institutes of Health. A recent controversy has emerged as Pfizer prepares to launch its hot new drug Xeljanz to treat arthritis. The active ingredient for Xeljanz was discovered by a government scientist in the mid-1990s and given to Pfizer for further development and licensing. Now Pfizer proposes to sell the drug for nearly $25,000 per patient per year. Several members of Congress have cried foul, questioning where's the taxpayers' return for their investment in the success of Xeljanz?

PFIZER, A CORPORATE FELON, CONTINUES TO DO BUSINESS WITH MEDICARE AND MEDICAID

Federal law is clear: Medicare and Medicaid cannot do business with corporate criminals. Over the last decade, Pfizer has admitted guilt in three high-profile cases that have included Medicare fraud, overseas bribery of physicians, and the illegal marketing of its products. In the last case, which was resolved in 2009, Pfizer was convicted of a felony for telling doctors that its painkiller Bextra was safe at doses twice the level approved by the Food and Drug Administration. Pfizer pulled the drug from the market and paid a $2.1 billion fine. In order to be allowed to continue to sell drugs to the government, Pfizer pulled another loophole from its bag of tricks: getting one of its dormant subsidiaries – one that has never sold any drugs – to accept the conviction and pay the fine. That subsidiary can no longer sell drugs to Medicare, but Pfizer can. As CNN described the situation: it's like having your imaginary friend do the time for your crime, while you walk free.

PFIZER CONTINUES TO LEAD THE CHARGE FOR CORPORATE TAX CUTS AND SOCIAL SECURITY BENEFIT CUTS

Pfizer CEO Ian Read is a member of the Business Roundtable, a club for CEOs that is calling for corporate tax cuts and an increase in the Social Security retirement age from 67 to 70 – a benefit cut of about 20%. That's easy for Read to promote since his $49 million Pfizer retirement account would deliver him a monthly retirement check of more than $275,000 from the time he is 65. In contrast, the average Social Security retiree, whose benefits Read is eager to cut, receives just $1,265 each month.

Pfizer is also a founding member of a new corporate tax-reduction coalition, Let's Invest for Tomorrow America (LIFT), which is fighting for a "territorial tax system." That would allow corporate offshore profits to be forever U.S. tax-free, thereby encouraging the shipment of profits and jobs overseas.

Pfizer spent $10.4 million lobbying Congress in 2012 and nearly $131 million since 1999, according to OpenSecrets.org. Taxes were its second-highest lobbying priority in 2012.

Methodology: Sources for corporate income taxes, employment and executive compensation are explained here. http://www.americansfortaxfairness.org/tradingcards/.

verizon

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CORPORATE TAX DODGER

Verizon is the nation's largest cellular phone operator, with 115 million customers. Verizon paid less in federal income taxes in recent years than many of its customers.

- **Verizon made $19.3 billion in U.S. pretax profits from 2008 to 2012, yet didn't pay any federal income taxes during the period. Instead, it got $535 million in tax rebates.**
- **Verizon's effective federal income tax rate was negative 2.8% from 2008 to 2012. The official corporate tax rate is 35%. This difference allowed Verizon to avoid $7.3 billion in taxes.**
- **Verizon had $1.9 billion in accumulated offshore profits in 2012, on which it did not pay U.S. taxes.**
- **While dodging federal taxes, Verizon pocketed $956 million in federal contracts in 2011 and landed a 9-year contract worth $5 billion.**
- **Verizon shows that cutting taxes doesn't create jobs. It pays nothing in taxes, but that hasn't stopped it from slashing 28,500 jobs over the last four years.**

WHEN THE TAX MAN RINGS, VERIZON DROPS THE CALL

Though Verizon made $19.3 billion in U.S. profits from 2008 to 2012, it paid no federal income taxes over the five years and instead claimed a refund of $535 million, according to a Citizens for Tax Justice analysis of the company's Securities and Exchange Commission (SEC) filings. This gave America's favorite cell phone company a tax rate of negative 2.8%. However, the corporate income tax rate is 35%, which means that tax subsidies cut Verizon's taxes by $7.3 billion over that period.

Like other investment-intensive companies, Verizon was a major beneficiary of the economic stimulus bill of 2008, which provided it with hefty tax subsidies for doing things it would have largely done anyway, like build new cellphone towers.

Verizon also reported $1.9 billion in accumulated offshore profits in 2012, on which it paid no U.S. income taxes.

WHILE DODGING FEDERAL TAXES, VERIZON POCKETS LUCRATIVE FEDERAL CONTRACTS

Verizon raked in $956 million in federal contracts in 2011, according to the federal government. It also recently landed a new nine-year government-wide contract worth up to $5 billion to provide communications services and equipment to federal agencies.

INFLATED CORPORATE SALARIES SUBSIDIZED BY TAXPAYERS

Verizon also has saved money by taking advantage of a loophole that allows it to get other taxpayers to pick up the tab for a third of the lavish pay offered to its executives. A 1993 law capped executive pay deductions at $1 million but left a huge loophole: corporations can exempt "performance-based" pay like stock options and grants of restricted stock. Verizon paid its top four officers $41 million in "performance-based" pay last year and cut its tax bill more than $14 million in the process.

VERIZON LOBBIES HARD FOR CORPORATE TAX CUTS AND SOCIAL SECURITY BENEFIT CUTS

Verizon CEO Lowell McAdam is a member of the CEO Council of the Fix the Debt campaign, a corporate-funded group seeking to cut corporate taxes and earned benefit programs like Social Security and Medicare. McAdam is also a member of the Business Roundtable, a CEO club that is calling for Congress to cut corporate tax rates and to raise the Social Security retirement age from 67 to 70 – a benefit cut of about 20%. Verizon is also a founding member of the RATE Coalition, a corporate lobby group fighting for a much lower corporate tax rate.

Verizon has spent more than $197 million lobbying Congress since 1998. It spent $15.2 million in 2012, with lobbying on tax bills its second-highest priority.

VERIZON'S CEO HAS LITTLE SKIN IN THE SOCIAL SECURITY DEBATE, BUT THAT DOESN'T STOP HIM

CEO McAdam can afford to lobby for Social Security benefit cuts, his overflowing company-provided retirement account will make his Social Security check little more than pocket change during his golden years. McAdam has been CEO of Verizon for a little more than a year but has still managed to accumulate $9.8 million in his retirement account, enough to earn him a monthly check for $55,496 starting at age 65. That's 44 times the average Social Security retiree's $1,265 monthly benefit. McAdam's predecessor in the corner office, Ivan Seidenberg, retired from Verizon with more than $70 million in retirement assets, enough for a monthly check of nearly $400,000. Seidenberg is also active with Fix the Debt.

WHILE VERIZON HANDS OUT EXECUTIVE RETIREMENT PERKS, ITS EMPLOYEE PENSION AND HEALTH CARE FUNDS ARE SWIMMING IN A SEA OF RED INK

Verizon has a pension deficit disorder when it comes to funding its employee pension and post-retirement health accounts, which together face a funding shortfall of more than $32 billion.

EVEN WITH A TAX RATE BELOW ZERO, VERIZON HANGS UP ON JOBS

We're often told that cutting corporate taxes creates jobs. Though its tax rate is less than zero, Verizon has been an aggressive downsizer for many years. Over the last four years, Verizon has slashed its workforce by 28,500, or 13%.

Methodology: Sources for corporate income taxes, employment and executive compensation are explained here. http://www.americansfortaxfairness.org/tradingcards/.