

## THE TAXONOMIST

**It's Your Money They're Wasting**

By Robert S. McIntyre

In September, my group, Citizens for Tax Justice, released a major study on corporate tax avoidance. We looked at 275 of the largest and most profitable *Fortune 500* companies and found that almost a third of them managed to pay nothing or less in federal income taxes in at least one of the first three years of the Bush administration. Over that period, the 275 companies reported \$1.1 trillion in pretax U.S. profits to their shareholders, but told the IRS they made less than half of that. One company, General Electric, enjoyed \$9.5 billion in tax breaks over the three years. And the lion's share of the blame for these outrages and the concurrent collapse of corporate tax revenues can be placed on President Bush and the GOP Congress, which enacted huge new corporate loopholes while refusing to crack down on offshore corporate tax-sheltering and other abuses.

Our study generated headlines across the country. But the reactions from Corporate America and our lawmakers in Washington have been underwhelming. Only a few corporations had the temerity to challenge our figures directly. That's for good reason, since all of the information in our study came straight out of their annual reports. My retort to companies that say they didn't avoid paying taxes is: Are you lying now or were you lying in your audited financial statements?

Which is not to say that some companies didn't complain in other ways. For instance, Boeing's annual report shows that it not only paid no federal income tax, but actually received tax rebates—i.e., checks from the Treasury—of more than a billion dollars over the 2001-03 period. Boeing insisted to the *Washington Post*, however, that we could have computed its tax bill as \$1.3 billion had we merely counted \$2.3 billion in taxes it *didn't* pay due to loopholes.

Likewise, United Technologies weirdly defended its 1.1 percent tax rate over the 2001-03 period, by pointing out to the *Hartford Courant* that it “spent heavily on deductible items in the years covered by the study.”

Wachovia, which was featured in a PBS special earlier this year about its massive tax-sheltering activities, acknowledged that it got a 2002 tax rebate of \$164 million despite \$4.1 billion in pretax U.S. profits. Yet a company spokeswoman told the *Winston-Salem Journal* that “Wachovia is committed to paying its fair share of taxes.”

Several companies complained that it was unfair for a study called *Corporate Income Taxes in the Bush Years* to focus on the years that George W. Bush has been in office. For example, Pepco, Washington, D.C.'s electric utility company, conceded that it received federal tax refunds in 2002 and 2003, but said that it did pay taxes immediately prior to the Bush presidency. An official with Graybar Electric, which received a tax rebate in 2003, begged for an even longer time perspective. “Graybar did not owe any tax for the year 2003,” she admitted, but “Graybar has paid . . . a very significant amount over the course of its 100+ year history.”

Our report also detailed how the companies that received the biggest tax breaks under Bush sharply reduced their new investments in plant and equipment—in fact, by a lot more than the overall drop nationwide.

A typical corporate response to this seeming failure of Bush's so-called “incentives” came from SBC Communications, which used Bush's tax breaks to cut its income taxes to less than zero in 2003, even as it slashed its capital outlays by 53 percent. According to the *Washington Post*, a vice-president for SBC “acknowledged that capital investment has fallen, but he blamed heavy regulatory disincentives that outweighed any tax breaks for the company's investment decisions.” Of course, that's exactly our point. Companies don't lobby Congress for tax breaks that will force them to change their behavior. They lobby for tax breaks that pay them for doing what they would have done anyway.

So are our politicians in Washington upset about the news that average Americans pay more in taxes than some of our biggest companies? Hardly. As a spokesman for General Electric, America's most tax-subsidized corporation, happily told the *Hartford Courant*, CTJ's “study takes a different view on tax policies than the government does or we do.” Indeed, rather than cracking down on abuses, Congress has just passed still another huge collection of special-interest corporate tax breaks. As usual, the bill's single biggest winner is the company that lobbied the hardest: GE.

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