AMERICANS FOR TaxFairness

Economic Policy Institute

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Newly-Released Chartbook Uses Data to Disprove Corporations' False Narrative on Taxes

In a data-driven web-based chartbook on corporate taxes, ATF and EPI highlight the $700 billion multinationals owe on their offshore profits

WASHINGTON, D.C.—America's biggest and most powerful corporations continue to claim they are damaged by the 35 percent U.S. corporate tax rate when it comes to international competition, but the facts prove that simply isn't true.

A newly-released online resource compiled by Americans for Tax Fairness and the Economic Policy Institute shows U.S. corporate profits are near record highs while revenue from corporate taxes is near record lows, as a share of the economy (GDP) over the last six decades. Moreover, multinational corporate effective tax rates are one half or less than the statutory rate.

The charts analyze public data to highlight one of the most damaging loopholes in the U.S. corporate tax code: deferral, by which American multinational corporations can indefinitely postpone payment of taxes owed on profits held offshore. This has encouraged corporations to stockpile $2.4 trillion in profits in foreign subsidiaries—money on which they currently owe $700 billion in U.S. taxes. The charts show that just four companies—Apple, Pfizer, Microsoft and General Electric – control one-quarter of those profits.

The charts also explain that deferral costs the U.S. Treasury $1.3 trillion over 10 years—about $126 billion a year. Income shifting—making profits earned in the United States look as if they were earned offshore—erodes our corporate tax base by over $100 billion a year.

"The facts show that corporate America is not over taxed and, in fact, goes to extraordinary lengths to avoid paying what they owe," said Frank Clemente, executive director of Americans for Tax Fairness. "We hope this book of data can help change the false narrative on taxes peddled by wealthy corporations and their allies in Washington."

"There is a staggering—and growing—amount of money being held offshore," said EPI budget analyst Hunter Blair. "Corporate tax avoidance simply must be addressed, and not by a tax holiday. The corporate income tax brings in two-thirds less revenue than it did 60 years ago, despite sky high corporate profits. These large multinational corporations can certainly afford to pay the taxes they owe."

The chartbook is available here on the ATF website.

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By outlining the historically low effective corporate tax rates and the ways in which corporations avoid paying their fair share, this report serves as a crucial rebuttal to corporations that argue they need further tax breaks.

Other key findings include:

- **Corporate profits are way up, and corporate taxes are way down.** In 1952, corporate profits were 5.5 percent of the economy, and corporate taxes were 5.9 percent. Today, corporate profits are 8.5 percent of the economy, and corporate taxes are just 1.9 percent of GDP.
- **Corporations used to contribute $1 out of every $3 in federal revenue. Today, despite very high corporate profitability, it is $1 out of every $9.**
- **As of 2015, U.S. corporations had $2.4 trillion in untaxed profits offshore, on which they owe up to $695 billion.** Another study, looking at S&P 500 companies, found they held $2.1 trillion as of 2014, and owed $533 billion. This roughly five-fold increase from $434 billion in 2005 stems largely from anticipation of a tax holiday.
- **Just two industries—high-tech and pharmaceutical/health care—hold half the untaxed offshore profits.**
- **Just 50 companies hold more than 75 percent of untaxed offshore profits.** Ten companies hold 39 percent of these profits. Just four companies—Apple, Pfizer, Microsoft, and General Electric—hold one-quarter of all untaxed offshore profits.
- **About 55 percent of U.S. corporate offshore profits are in tax-haven countries.** Corporations pay an average tax rate of between 3.0 percent and 6.6 percent on profits in tax havens.
- **U.S. corporations pay very low tax rates—6 percent to 10 percent, mainly to foreign governments—on *all* their offshore profits.**
- **President Obama has proposed taxing the current stock of $2.4 trillion in offshore profits at 14 percent (less foreign taxes paid), which could give corporations a tax cut of $500 billion on their offshore profits.** (Republicans propose an even bigger tax break.) A 14 percent tax rate would raise just $195 billion. This is $500 billion *less* than the up to $695 billion they owe. That's a tax cut of up to 72 percent for the country's worst tax dodgers.

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Americans for Tax Fairness *is a diverse coalition of 425 national and state endorsing organizations that collectively represent tens of millions of members. The organization was formed on the belief that the* *country needs comprehensive, progressive tax reform that results in greater revenue to meet our growing needs. ATF is playing a central role in Washington and in the states on federal tax-reform issues.*

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