



## HIGHLIGHTS OF APPLE'S TAX DODGING

### How much has Apple made overseas and how much taxes has it avoided?

- **Apple made profits of \$74 billion from 2009-2012 on worldwide sales (excluding the Americas) and paid virtually *nothing* in taxes to any country.** The sales were attributed to Irish subsidiaries, where the companies paid a tax rate of less than 1%. [[U.S. Senate Permanent Subcommittee on Investigations](#), Exhibit 1a, pp. 21, 24-25] If Apple had recorded this income in the United States it would have paid as much as an additional \$26 billion in taxes over four years (\$74 billion x 35% tax rate).
- **Apple argues that it is one of the biggest U.S. corporate taxpayers having paid \$6 billion in taxes in 2012.** However, in 2012 Apple shifted \$36 billion in worldwide sales income away from the United States and avoided \$9 billion in U.S. taxes that year. [[Levin Stmt., p. 6](#)] That's nearly 1/10<sup>th</sup> the cost of the \$109 billion in annual across-the-board "sequester" cuts.
- **Apple has accumulated \$102 billion in profits offshore, on which it is not paying U.S. income taxes.** [Exhibit 1a, p. 19] Despite complaining that it needs a lower U.S. corporate income tax rate in order to bring those profits home, it is estimated that Apple has 75% to 100% of its offshore cash assets at U.S. financial institutions. [[Exhibit 1a, p. 19](#)]
- **Apple's effective U.S. federal income tax rate was just 7.3% in 2011.** Apple claimed its tax rate in 2011 was 24.2%, one-third less than the official tax rate of 35%. But the Senate subcommittee found its rate was no more than 20.1%, allowing Apple to claim credit for \$3 billion of deferred taxes on overseas income that are not owed until the profits are brought back to the United States. Since Apple has said that is not likely to happen, its effective tax rate in 2011 was just 7.3% – \$2.5 billion in taxes actually paid against \$34.2 billion of income before taxes. [[Exhibit 1a, pp. 38-39](#)]

### How has Apple been able to avoid these taxes?

- **Apple Inc. uses Ireland as a tax haven, where it created three offshore corporations that have no tax residence** – not in Ireland, where they are incorporated, nor in the United States, where the Apple executives who run them are located. The United States generally recognizes the country of *incorporation* as the primary tax jurisdiction and Ireland recognizes the country that *manages and controls* the corporation as the primary tax jurisdiction. [[Exhibit 1a, pp. 23-25](#)]
- **One of these Irish companies – Apple Operations International (AOI) – has paid no corporate income tax to any nation for the last five years on \$30 billion of income.** AOI has no owner but Apple, it has no physical presence at any address, and in 30 years of existence AOI has never had any employees. [[Exhibit 1a, pp. 21-23](#)]

- **A second company – Apple Sales International (ASI) – pays tax to Ireland equivalent to a fraction of 1% of its total income.** Prior to 2012 ASI, like AOI, had no employees and carried out its operations through the action of a U.S.-based board of directors, most of whom were Apple Inc. employees in California. [[Exhibit 1a, pp. 20-21 and 24-25](#)]
- **Apple also uses a “cost-sharing agreement” with its Irish subsidiaries to avoid U.S. taxes.** Apple transfers part ownership of its intellectual property created in the United States to the Irish subsidiaries. This enables Apple to shift profits generated from most of the world to Apple’s Irish subsidiaries where it pays virtually no tax and avoids paying U.S. taxes. [[Exhibit 1a, pp. 28-30](#)]
- **Apple also uses a massive loophole in the tax code to avoid taxes (under Subpart F of the tax code, known as the “check-the-box” rule).** This allows the company to declare to the IRS that its numerous offshore subsidiaries are effectively one company under AOI in Ireland, a company that is not recognized as being taxable in the United States because it is incorporated in Ireland. Apple has admitted that using this loophole it avoided taxes on \$44 billion in profits from 2009 to 2012. [[Exhibit 1a, p. 17, 31-37](#) and [Exhibit 16](#)]
- **Apple claims that about two-thirds of the profits generated from its intellectual property in 2009 to 2012 were in Ireland (\$74 billion) where it pays little taxes and one-third were in the United States (\$38.7 billion).** [[Exhibit 1a, p. 29](#)] Yet, 95% of Apple’s research and development is in the United States, which is largely responsible for the success of its products, and two-thirds of Apple’s employees are in the United States [[Exhibit 1a, pp. 17 and 28](#)]. By comparison, Ireland conducts 1% of Apple’s R&D and employs 3.5% of its total workforce. [[Exhibit 6](#)]

## Apple does not want to pay its fair share of taxes

- **Apple supports a temporary tax amnesty – a “repatriation” tax holiday.** In 2011, Apple founded the [WIN America Campaign](#), which promoted a tax holiday that would allow U.S. corporations to bring back (“repatriate”) offshore profits to America at a fraction of the corporate income tax rate. A similar tax holiday in 2004 reduced the corporate income tax rate to just 5.25% and [92% of the repatriated profits were used to pay for dividends, share buybacks or executive bonuses](#), not to make new investments or to create jobs.
- **Apple supports permanent tax amnesty – a territorial tax system.** Apple CEO Tim Cook recently [testified to the U.S. Senate subcommittee](#) in favor of a territorial tax system, which would change the way U.S. corporations are taxed so that they will be taxed solely at the tax rate that exists in the country where the profit is derived. This will provide a magnet for Apple and other companies to shift even more profits, production and jobs to tax havens.

### Sources

U.S. Senate Permanent Subcommittee on Investigations, “Exhibit 1a: Offshore Profit Shifting and the U.S. Tax Code – Part 2 (Apple Inc.)” (May 21, 2013). <http://www.hsgac.senate.gov/download/?id=CDE3652B-DA4E-4EE1-B841-AEAD48177DC4>

Statement of Senator Carl Levin (D-MI), Before U.S. Senate Permanent Subcommittee on Investigations “On Offshore Profit Shifting and the U.S. Tax Code – Part 2 (Apple Inc.),” May 21, 2013. <http://www.hsgac.senate.gov/download/?id=3c1c51c9-b56c-4ab5-8887-abef800bd076>

U.S. Senate Permanent Subcommittee on Investigations, “Exhibits 1-19: Hearings on Offshore Profit Shifting and the U.S. Tax Code – Part 2 (Apple Inc.)” (May 21, 2013). <http://www.hsgac.senate.gov/download/?id=B2F27D33-856B-4B2A-8B55-D045DC285978>