



## HIGHLIGHTS OF MICROSOFT'S TAX DODGING

- Using tax loopholes, Microsoft avoided paying at least [\\$6.5 billion in U.S. taxes from 2009 to 2011](#), according to the U.S. Senate Permanent Subcommittee on Investigations.<sup>1</sup>
- One major tax loophole used by Microsoft was to [shift 47% of its gross revenues from U.S. sales to its subsidiary, Microsoft Puerto Rico](#). In a pre-negotiated deal, Puerto Rico taxed these profits at just a 2% rate.<sup>2</sup>
- Although 85% of Microsoft's research is done in the United States, much of the profit from the research is sent to tax-haven countries.<sup>3</sup> In 2011, Microsoft US sold the rights of its prized intellectual property to its subsidiaries in Ireland and Singapore. Through this manipulation of tax loopholes the company [moved \\$8 billion in profit overseas](#), again avoiding U.S. taxes.<sup>4</sup>
- Microsoft has over [\\$76 billion in profits stashed offshore](#), which cannot be taxed by the United States until brought back home.<sup>5</sup> In 2012, it had \$60 billion in profits offshore, with an estimated [U.S. tax bill of \\$19.4 billion](#), according to Citizens for Tax Justice.<sup>6</sup>
- Microsoft often complains that the United States corporate income tax rate is overly burdensome, but it [paid an effective tax rate of only 13.4% in 2011](#).<sup>7</sup> Through complex tax avoidance schemes Microsoft lowered its tax bill to well under half the statutory corporate tax rate of 35%, according to Business Insider.
- Microsoft is part of numerous anti-tax coalitions and trade associations, including [Tax Innovation Equality \(TIE\)](#), [the Business Roundtable \(BRT\)](#), and [Fix the Debt \(FTD\)](#). TIE and the BRT aggressively lobby for lower corporate tax rates and a territorial tax system, and FTD has publicly supported these positions. A territorial tax system would give permanent tax amnesty for U.S. corporate profits earned or booked offshore, incentivizing corporations to send wealth and jobs overseas. If the United States adopts such a system [it would create 800,000 jobs overseas](#), according to one estimate.<sup>8</sup>

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<sup>1</sup> U.S. Permanent Subcommittee on Investigations, "Exhibit: Hearings on Offshore Profit Shifting and the U.S. Tax Code" (Sept. 20, 2012), p. 2. <http://www.hsgac.senate.gov/download/?id=7B9717AF-592F-48BE-815B-FD8D38A71663>

<sup>2</sup> Ibid., p. 21.

<sup>3</sup> Ibid., p. 22.

<sup>4</sup> U.S. Permanent Subcommittee on Investigations, "Statement of Senator Carl Levin (D-Mich) Before U.S. Senate Permanent Subcommittee on Investigations on Offshore Profit Shifting and the U.S. Tax Code" (Sept. 20, 2012), p. 2. <http://www.hsgac.senate.gov/download/?id=31551efc-5f77-4e27-af5e-4d590de662bd><http://www.hsgac.senate.gov/download/?id=31551efc-5f77-4e27-af5e-4d590de662bd>

<sup>5</sup> Bloomberg BusinessWeek, "Microsoft, IBM Top List of U.S. Tech Firms with Biggest Overseas Profit Hauls" (August 13, 2013). <http://www.businessweek.com/news/2013-08-13/microsoft-ibm-top-list-of-u-dot-s-dot-tech-firms-with-biggest-overseas-profit-hauls>

<sup>6</sup> Citizens for Tax Justice, "Apple is not Alone" (June 3, 2013).

[http://ctj.org/ctjreports/2013/06/apple\\_is\\_not\\_alone.php#UgkfGJIsn-k](http://ctj.org/ctjreports/2013/06/apple_is_not_alone.php#UgkfGJIsn-k)

<sup>7</sup> Business Insider, "It's Not Just Apple: The Ultra-Complicated Tax Measures That Microsoft Uses To Avoid \$2.4 Billion In U.S. Taxes" (May 21, 2013). <http://www.businessinsider.com/apple-microsoft-avoids-taxes-loopholes-irs-2013-1>

<sup>8</sup> Kimberly A. Clausung, "A Challenging Time for International Tax Policy," Tax Notes (July 16, 2012). <http://taxprof.typepad.com/files/136tn0281.pdf>