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).

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**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.