Honeywell is a leading manufacturer of auto parts, defense equipment, and energy-efficiency controls. CEO David Cote has been a leader with Fix the Debt, and one of the most vocal corporate executives calling for deep federal spending cuts, including cuts to Social Security and Medicare. All the while both he and his company take advantage of lucrative tax loopholes benefitting CEOs and corporations.

- Honeywell had profits of $5 billion from 2009 to 2012, yet it paid just $50 million in federal income taxes.
- Honeywell’s tax rate was just 1% over the last four years - the official corporate tax rate is 35%. This gave Honeywell a huge tax subsidy worth $1.7 billion.
- Honeywell had $11.6 billion in profits socked away offshore at the end of 2012, on which it paid no U.S. taxes.
- While dodging paying its fair share of federal income taxes, Honeywell pocketed $16.7 billion in taxpayer-funded contracts from Uncle Sam between 2006 and 2012.
- Honeywell’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. His monthly check from his Honeywell retirement assets will be over $750,000; the average Social Security retiree gets a monthly check of $1,265.

A WAY TO “FIX THE DEBT” WOULD BE TO CLOSE TAX LOOPOLES HONEYWELL AND ITS CEO EXPLOIT

Though Honeywell has been profitable in each of the last four years, reporting $5 billion in U.S. profits from 2009 to 2012, the company paid just $50 million in federal income taxes, according to company reports filed with the Securities and Exchange Commission (and analyzed by Citizens for Tax Justice in order to adjust for the tax impact of stock-option compensation loophole.). That's an effective tax rate of just 1%. However, the corporate income tax rate is 35%, which means that tax gap allowed Honeywell to avoid taxes of up to $1.7 billion.

Honeywell had $11.6 billion in profits socked away offshore at the end of 2012, on which the company paid no U.S. taxes. This represented a $3.5 billion increase, or 43%, over 2011. In its tax disclosure, Honeywell notes a decrease of earnings from its Luxembourg subsidiary as a reason it paid more in taxes in 2012 than 2011. Interestingly, Honeywell lists no plants or other facilities in Luxembourg, a widely used corporate tax haven, suggesting that the company books transactions in this tiny country, which does not tax corporate income, in order to avoid taxes in the United States and elsewhere.

WHILE DODGING FEDERAL TAXES, HONEYWELL POCKETS LUCRATIVE FEDERAL CONTRACTS

Honeywell raked in $16.7 billion in federal contracts from 2006 to 2012, according to the federal government, putting the company in the top 50 year after year. The bulk of its business is with the Pentagon, but Honeywell also sells energy efficiency equipment used in government buildings.
**HONEYWELL’S CEO DEMANDS AUSTERITY WHILE PRESSING FOR CORPORATE TAX CUTS**

Honeywell’s CEO David Cote was a member of President Obama’s Deficit Commission, known as the Simpson-Bowles Commission. He also has been one of the most visible faces of the Steering Committee of Fix the Debt, a coalition of more than 100 CEOs calling for corporate tax cuts and cuts to Social Security and Medicare. Cote is also a member of the Business Roundtable, a club for CEOs that is calling for corporate tax cuts and for raising the Social Security retirement age from 67 to 70 – a benefit cut of about 20%. Honeywell is also a founding member of the newest corporate tax-cutting coalition, dubbed Let’s Invest for Tomorrow America (LIFT America). This group of 20 corporations and trade groups wants to shift to a “territorial tax system” that would allow corporate offshore profits to be forever U.S. tax-free, further encouraging the shipment of profits and jobs overseas. Honeywell spent $7 million lobbying Congress in 2012, with tax issues one of its top priorities, and more than $65 million since 1998.

**INFLATED CORPORATE SALARIES SUBSIDIZED BY TAXPAYERS**

In 1993, Congress reacted to public outrage over soaring executive compensation by adopting a law forbidding companies from deducting more than $1 million in pay per executive on their tax returns. The idea was companies could continue to pay executives whatever they wanted, but taxpayers would only subsidize the first $1 million per executive. But as this law neared passage, a big loophole was slipped in, one that exempted from the million-dollar limit any pay deemed linked to the company’s performance. That loophole drove an explosion in stock-based pay and provided corporations the ability to effectively shift 35% of the cost of lavishly paid executives onto other taxpayers. In Honeywell’s case, their top four executives received more than $30 million in performance-based pay in 2012, which allowed the company to reduce its tax bill by nearly $11 million.

CEO Cote took advantage of another loophole to dramatically lower his personal taxes. Workers approaching retirement are allowed to set aside tax-free up to $23,000 a year in deferred compensation plans, like 401(k)s or 403(b)s. But corporate executives face no limits on how much they can put in their deferred compensation accounts. In 2012, Cote put more than $30 million in his Honeywell deferred compensation account, depriving the U.S. Treasury of more than $10 million in the process.

**HONEYWELL’S CEO WITH $134 MILLION IN HIS RETIREMENT ACCOUNT SEeks SOCIAL SECURITY CUTS**

After less than 11 years on the job, Cote had amassed more than $134 million in his Honeywell retirement account in 2012, a staggering 72% increase in value over the previous year. That’s enough to generate a monthly retirement check of $762,004 for Cote starting at age 65. In contrast, the average Social Security retiree, whose benefits Cote and his CEO pals are eager to cut, receives just $1,265 each month.

**IF LOWERING CORPORATE TAXES CREATED JOBS, HONEYWELL WOULD HAVE MORE AMERICAN EMPLOYEES, NOT FEWER**

Since 2008, as Honeywell’s federal income taxes declined dramatically, it increased its global workforce by 4,000, and cut its U.S. workforce by 6,000, according to its SEC filings in 2008 and 2012. This suggests that the company is not only shifting U.S. profits offshore but good American jobs as well.