KEY FACTS ABOUT CORPORATE OFFSHORE PROFITS AND TAX HAVENS

Offshore Profits and Tax Havens

- U.S. multinational corporations are holding $2.6 trillion in profits offshore, out of reach of taxation by the U.S. government. This is because of a loophole that allows them to defer paying U.S. taxes on their foreign profits until they pay them to the U.S. parent company. These corporations owe an estimated $750 billion in U.S. taxes on these profits. (Institute on Taxation and Economic Policy, October 2017)
- Only 58 Fortune 500 companies report the amount they would pay in U.S. taxes if they were "brought back" to America—these companies have paid an average foreign tax rate of only 6%. This indicates that the majority of their profits are stashed in tax havens. (Institute on Taxation and Economic Policy, October 2017)
- Nearly a third of the profits booked offshore weren't made there but instead were shifted out of America through accounting tricks purely to dodge some $100 billion a year in U.S. taxes. (Washington Center for Equitable Growth, May 2016)
- Overall, the deferral loophole will lose roughly $1.3 trillion in public revenue over the next 10 years, or about $130 billion a year. (Americans for Tax Fairness and Economic Policy Institute projections based on Joint Committee on Taxation data)
- Nearly half of the money officially booked offshore is actually invested right here in America, its overseas status merely a convenient accounting fiction. (Senate Permanent Subcommittee on Investigations)
- More than a quarter of the $2.6 trillion in corporate offshore profits are held by just 4 companies—Apple, Pfizer, Microsoft, and General Electric. Just 10 companies hold 40% of the offshore profits, and 50 companies hold almost 80%. (Americans for Tax Fairness analysis of Institution on Taxation and Economic Policy data, November 2017)
- More than half of the offshore profits are held by high-tech (34%) and pharmaceutical companies (22%). (Americans for Tax Fairness analysis of Institution on Taxation and Economic Policy data, November 2017)
- Apple holds more profits offshore than any other company, with $252 billion in profits (nearly 10% of all offshore profits). It owes about $79 billion in U.S. taxes on these profits. (Institute on Taxation and Economic Policy, Nov. 5, 2017)
- U.S. companies reported earning 61% of their foreign profits in 10 countries considered tax havens (Bermuda, Cayman Islands, British Virgin Islands, Bahamas, Luxembourg, Ireland, the Netherlands, Singapore, Hong Kong, and Switzerland). (Institute on Taxation and Economic Policy, Nov. 5, 2017)

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- The amount of profits American corporations report having invested in Bermuda and the Cayman Islands is more than 1000% of the economies of these small island territories. (Institute on Taxation and Economic Policy, Nov. 5, 2017)
- 366 Fortune 500 corporations report having nearly 10,000 subsidiaries in tax havens. (Institute on Taxation and Economic Policy, October 2017)
- The Ugland House, located in the Cayman Islands – a well-known tax haven – is home to nearly 19,000 corporate entities. (Government Accountability Office, July 2008)

Job-Killing Territorial Tax System

- Republicans in Congress are proposing a shift to a territorial tax system, which will completely exempt some of corporations' foreign profits from U.S. tax.
- Under the Senate and House tax plans, corporations will only have to pay U.S. taxes on certain foreign profits, but this tax would be at a far lower rate than the 20% rate on domestic profits.
- Both bills will give corporations an incentive to move real investment and jobs offshore to minimize their taxes. (Tax Policy Center, Nov. 28, 2017)
- The wages of American workers would also be threatened as investment moves offshore, which will harm the productivity of U.S. workers drive down their wages. (Center on Budget and Policy Priorities, Oct. 6, 2017)
- A territorial system would put small businesses and domestic companies at an even greater competitive disadvantage relative to multinational corporations who can avoid taxes by shifting their profits offshore.

"Deemed Repatriation" – A Reward for Tax-Dodging Corporations

- As part of the transition to a territorial system, the Senate GOP tax plan would require that corporations pay taxes on the $2.6 trillion they have offshore—but they would only have to pay a 14.5% rate on cash assets (and only 7.55% on non-cash assets) rather than the 35% they currently owe minus a credit for foreign taxes paid. It is estimated that this will raise about $298 billion. (Joint Committee on Taxation).
- Because these corporations currently owe $750 billion on their offshore profits, this means tax-dodging corporations will get a half-trillion-dollar tax break on those profits.
- Proponents claim that this tax break will encourage corporations to invest more in the U.S. and create jobs. In 2004, the same promises were made when the tax rate was temporarily set at 5.25% (far below the statutory rate of 35%), but 92% of the funds were used to enrich shareholders through stock repurchases and dividends. (National Bureau of Economic Research, June 2009, p. 19)
- In the 2004 repatriation, $312 billion in offshore profits were returned to the United States with just 15 companies bringing back 52% of them. (U.S. Senate Permanent Subcommittee on Investigations, Oct. 11, 2011, pp. 4 and 8)
- Corporations that took advantage of the 2004 repatriation holiday eliminated at least 67,000 jobs in the two following years. (Congressional Research Service, 2011, p. 7)