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NEW STUDY: THE 35 PERCENT CORPORATE TAX RATE IS A MYTH FOR MANY PROFITABLE FORTUNE 500 COMPANIES

258 Fortune 500 Companies Were Consistently Profitable Over an 8-Year Period and Paid a 21.2 Percent Average Effective Tax Rate

A comprehensive, eight-year study of profitable Fortune 500 corporations finds that, on average, the nation's richest firms paid a 21.2 percent effective tax rate between 2008 and 2015, but a significant number (100) managed to pay no taxes in at least one year, 24 paid zero in four out of eight years, and **18 firms paid zero taxes over eight years**, the Institute on Taxation and Economic Policy said today.

The study, *The 35 Percent Corporate Tax Myth*, is the 12th edition of this occasional corporate study. First released in 1984, the report was instrumental in building support for the Tax Reform Act of 1986, which closed many corporate loopholes. This new edition provides critical context at a time when Congress and the Trump Administration have signaled corporate tax reform is imminent and a focus will be drastically cutting the corporate tax rate.

"This study is a long-term, unprecedented examination of corporation taxes paid—or not paid—by the nation's biggest, most profitable firms," said Matthew Gardner, an ITEP senior fellow and lead author of the report. "It reveals that many of the big corporations that are lobbying for a lower corporate tax rate to be more 'competitive' already pay substantially less than the 35 percent statutory rate."

Robert McIntyre, a co-author of the report and director of Citizens for Tax Justice (CTJ), ITEP's sister organization, added, "For years, corporate lobbyists have claimed that they can't be competitive because the corporate tax rate is too high. They have a receptive audience for those complaints in the current Congress and Trump Administration, but it doesn't make these claims any less false."

The study examines eight years of data on federal income taxes paid by Fortune 500 firms that provided sufficient, reliable information in their financial reports to allow calculation of their effective U.S. and foreign tax rates. It excludes companies that had a loss in any year between 2008 and 2015. **Two-hundred and fifty-eight** companies were profitable in every year of the study. Although the statutory corporate tax rate is 35 percent, collectively, these companies paid an average effective rate of 21.2 percent.

Among the report's key findings:

- 100 companies enjoyed at least one year in which their federal income tax was zero or less
- 24 companies paid zero taxes in four out of eight years
- 18 companies (including General Electric, International Paper, Priceline.com and PG&E) paid no federal income tax over the eight-year period.

- Collectively, the 258 corporations enjoyed $513 billion in tax breaks over the last eight years. More than half of those tax breaks, $277 billion, went to just 25 of the most profitable corporations.
- The five biggest beneficiaries of tax breaks during the eight-year period were AT&T ($38 billion), Wells Fargo ($31 billion), J.P. Morgan ($22 billion), Verizon ($21 billion), and IBM ($17.8 billion).
- Of 107 multinational companies in the report, 62 paid higher foreign tax rates on their foreign income than the tax rate they paid to the on their domestic income.
- Companies (especially within the tech sector) reduced their taxes by $51.8 billion during the eight-year period using the "excess stock option" tax breaks. Ten percent of these tax breaks went to Facebook alone.
- Average effective tax rates varied wildly by industry. For example, while utility, oil, gas and pipeline companies collectively paid an average effective rate of about 3 percent, retail and healthcare companies collectively paid about 33 percent on average.

Corporations can zero out their taxes or pay substantially less than the statutory corporate tax rate thanks to copious loopholes in the tax code. The report's recommendations for corporate tax reform include: repealing the rule that allows corporations to indefinitely defer paying U.S. taxes on profits stashed offshore; allowing bonus depreciation to expire as intended by 2019 and repeal accelerated depreciation; limit corporations' ability to write off executive stock options; and increase transparency by requiring country-by-country reporting.

"Corporate tax reform should address real shortcomings such as profitable corporations paying nothing year after year," McIntyre said. "It's shameful that ordinary working people pay more in taxes than General Electric, Priceline.com, International Paper and other large corporations."

Added Gardner, "All indications are that when Congress engages on tax reform later this year, our leaders will prioritize damaging cuts in corporate tax rates while giving short shrift to needed loophole-closing reforms. But these priorities are backwards. The starting point should be ending harmful corporate giveaways and requiring all profitable corporations to pay their fair share."

To view the complete study, go to: www.itep.org/corporatestudy

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