CTJ Citizens for Tax Justice

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Contact: Bob McIntyre
202-299-1066 ext. 22
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Big No-Tax Corps Just Keep on Dodging

Last November, Citizens for Tax Justice and the Institute on Taxation and Economic Policy issued a major study of the federal income taxes paid, or not paid, by 280 big, profitable Fortune 500 corporations. That report found, among other things, that 30 of the companies paid no net federal income tax from 2008 through 2010. New information for 2011 shows that almost all these 30 companies have maintained their tax dodging ways.

In fact, all but four of the 30 companies remained in the no-federal-income-tax category over the 2008-11 period.

Over the four years:

- 26 of the 30 companies continued to enjoy negative federal income tax rates. That means they still made more money after tax than before tax over the four years!

- Of the remaining four companies, three paid four-year effective tax rates of less than 4 percent (specifically, 0.2%, 2.0% and 3.8%). One company paid a 2008-11 tax rate of 10.9 percent.

- In total, 2008-11 federal income taxes for the 30 companies remained negative, despite $205 billion in pretax U.S. profits. Overall, they enjoyed an average effective federal income tax rate of –3.1 percent over the four years.

“These big, profitable corporations are continuing to shift their tax burden onto average Americans,” said Citizens for Tax Justice director Bob McIntyre. “This isn’t fair to the rest of us, it makes no economic sense, and it’s part of the reason our government is running huge budget deficits.”

MORE . . .

How 30 No-Tax Corporations in 2008-10 Fared in 2008-11

Federal Income Tax Rates on U.S. Profits

	08-10	08-11
Pepco Holdings	–57.6%	–39.5%
General Electric	–45.3%	–18.9%
PG&E Corp.	–21.2%	–18.4%
Wisconsin Energy	–4.9%	–13.2%
NiSource	–16.4%	–13.0%
Paccar	–32.8%	–13.0%
Integrys Energy Group	–11.3%	–11.6%
CenterPoint Energy	–14.7%	–11.3%
Atmos Energy	–11.6%	–9.6%
Tenet Healthcare	–11.6%	–8.2%
American Electric Power	–9.2%	–6.4%
Boeing	–1.8%	–5.5%
Ryder System	–7.3%	–5.4%
Con-way	–9.1%	–5.4%
Verizon Communications	–5.2%	–3.8%
Duke Energy	–3.9%	–3.5%
Interpublic Group	–3.3%	–2.5%
NextEra Energy	–2.2%	–2.0%
CMS Energy	–2.2%	–1.4%
Navistar International	–2.0%	–1.3%
Consolidated Edison	–3.0%	–1.3%
Mattel	–0.9%	–0.9%
El Paso	–1.0%	–0.9%
Baxter International	–7.1%	–0.6%
Apache	–1.5%	–0.3%
Corning	–0.2%	–0.2%
DTE Energy	–0.7%	0.2%
Honeywell International	–0.7%	2.0%
Wells Fargo	–1.4%	3.8%
DuPont	–3.4%	10.9%
Totals	**–7.1%**	**–3.1%**
Less than 4% in 2008-11		**29**

The Size of the Tax Subsidies:

Had these 30 companies paid the full 35 percent corporate tax rate over the 2008-11 period, they would have paid $78.3 billion more in federal income taxes. Or put another way, over the four years, the 30 companies received more than $78 billion in total tax subsidies.

Wells Fargo alone garnered $21.6 billion in tax subsidies over the four years, followed by General Electric ($10.6 billion), Verizon ($7.7 billion), and Boeing ($6.0 billion).

In 2011 alone, 24 of the 30 companies paid effective tax rates of less than 4 percent, including 15 that paid zero or less in federal income taxes in that year. For all 30 companies, the average 2011 effective federal income tax rate was a paltry 7.1% — only a fifth of the statutory 35 percent federal corporate tax rate.

The information on these 30 companies helps illustrate why overall federal corporate income tax collections are so low. The Treasury Department reports that corporate taxes fell to only 1.2 percent of our gross domestic product over the past three fiscal years. That's lower than at any time since the 1940s except for one single year during President Reagan's first term. By comparison, corporate taxes averaged almost 4 percent of our GDP during the 1960s.

"Getting rid of corporate tax subsidies that cause such widespread tax avoidance ought to be a key part of any deficit-reduction program," said McIntyre. "As a bonus, revenue-raising corporate tax reform would make it much easier to fund the investments we need to improve education and repair our crumbling roads and bridges — things that would actually help businesses and our economy grow."

30 Companies and Their Total Tax Subsidies 2008-11
$-millions

Wells Fargo	$ 21,600
General Electric	10,570
Verizon Communications	7,682
Boeing	6,009
American Electric Power	3,405
NextEra Energy	3,269
PG&E Corp.	3,204
Duke Energy	2,785
Consolidated Edison	2,128
Apache	2,112
Honeywell International	1,723
El Paso	1,668
CenterPoint Energy	1,425
DTE Energy	1,202
Wisconsin Energy	1,178
Corning	1,036
Pepco Holdings	941
NiSource	890
DuPont	723
CMS Energy	682
Integrys Energy Group	549
Atmos Energy	536
Mattel	535
Baxter International	462
Paccar	458
Navistar International	415
Interpublic Group	371
Ryder System	341
Tenet Healthcare	252
Con-way	171
Total	**$ 78,323**

Note: The 30 no-tax corporations over the 2008-10 period reported in CTJ's November 2011 report included Computer Sciences, which had a negative 18.3% tax rate over the three years. Computer Sciences has an odd fiscal year, and will not file its financial statements until this summer. However, in entering 2011 data for Apache, we discovered that we had missed a well-hidden entry in Apache's financial statements for excess stock option tax benefits. Including these tax benefits lowered Apache's effective 2008-10 tax rate from +0.6% to –1.5%. As a result, we have included Apache in the 2008-10 no-tax list for this updated report.

Additional tables and company-by-company notes follow.

How 30 No-Tax Corporations in 2008-10 Fared in 2008-11

$-millions	2008			2009			2010			2011			2008-10			2008-11		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Pepco Holdings	294	–78	–26.5%	359	–160	–44.6%	229	–270	–117.9%	381	9	2.4%	**882**	**–508**	**–57.6%**	**1,263**	**–499**	**–39.5%**
General Electric	4,638	–651	–14.0%	1,574	–833	–52.9%	4,248	–3,253	–76.6%	9,156	1,032	11.3%	**10,460**	**–4,737**	**–45.3%**	**19,616**	**–3,705**	**–18.9%**
Paccar	105	–28	–26.6%	83	–108	–130.7%	180	16	8.7%	587	–3	–0.6%	**367**	**–121**	**–32.8%**	**955**	**–124**	**–13.0%**
PG&E Corp.	1,590	–268	–16.9%	1,735	–747	–43.1%	1,530	–12	–0.8%	1,146	–77	–6.7%	**4,855**	**–1,027**	**–21.2%**	**6,001**	**–1,104**	**–18.4%**
NiSource	540	32	5.8%	412	–197	–47.9%	433	–62	–14.3%	468	–14	–3.0%	**1,385**	**–227**	**–16.4%**	**1,853**	**–242**	**–13.0%**
CenterPoint Energy	712	–221	–31.0%	538	–103	–19.1%	681	40	5.9%	1,150	–63	–5.5%	**1,931**	**–284**	**–14.7%**	**3,081**	**–347**	**–11.3%**
Tenet Healthcare	63	–1	–1.6%	194	–53	–27.3%	158	6	3.8%	167	—	—	**415**	**–48**	**–11.6%**	**582**	**–48**	**–8.2%**
Atmos Energy	285	7	2.5%	283	–37	–13.1%	328	–74	–22.5%	306	–11	–3.7%	**897**	**–104**	**–11.6%**	**1,203**	**–115**	**–9.6%**
Integrys Energy Group	172	–11	–6.1%	293	2	0.6%	353	–84	–23.7%	359	–45	–12.4%	**818**	**–92**	**–11.3%**	**1,178**	**–137**	**–11.6%**
American Electric Power	2,016	164	8.1%	2,014	–575	–28.6%	1,869	–134	–7.2%	2,330	20	0.9%	**5,899**	**–545**	**–9.2%**	**8,229**	**–525**	**–6.4%**
Con-way	208	19	9.3%	32	8	23.9%	46	–53	–115.4%	136	3	2.4%	**286**	**–26**	**–9.1%**	**422**	**–23**	**–5.4%**
Ryder System	349	–4	–1.2%	126	–45	–36.0%	152	4	2.6%	216	0	0.1%	**627**	**–46**	**–7.3%**	**843**	**–46**	**–5.4%**
Baxter International	279	–93	–33.2%	466	–12	–2.7%	181	39	21.6%	371	58	15.5%	**926**	**–66**	**–7.1%**	**1,297**	**–8**	**–0.6%**
Wisconsin Energy	529	–131	–24.7%	543	–26	–4.8%	653	72	11.0%	717	–238	–33.2%	**1,725**	**–85**	**–4.9%**	**2,442**	**–323**	**–13.2%**
Duke Energy	1,558	60	3.9%	1,768	–271	–15.3%	2,150	–5	–0.2%	1,759	–37	–2.1%	**5,475**	**–216**	**–3.9%**	**7,234**	**–253**	**–3.5%**
DuPont	995	14	1.4%	180	23	12.8%	949	–109	–11.5%	871	397	45.6%	**2,124**	**–72**	**–3.4%**	**2,995**	**325**	**10.9%**
Consolidated Edison	1,404	1	0.1%	1,331	16	1.2%	1,528	–144	–9.4%	1,606	53	3.3%	**4,263**	**–127**	**–3.0%**	**5,869**	**–74**	**–1.3%**
Verizon Communications	8,294	365	4.4%	5,554	–611	–11.0%	4,295	–705	–16.4%	1,640	193	11.8%	**18,143**	**–951**	**–5.2%**	**19,783**	**–758**	**–3.8%**
Interpublic Group	224	20	8.8%	148	–48	–32.7%	200	10	5.0%	418	–6	–1.4%	**572**	**–19**	**–3.3%**	**989**	**–25**	**–2.5%**
CMS Energy	424	4	0.9%	307	–12	–3.9%	561	–21	–3.7%	580	2	0.3%	**1,292**	**–29**	**–2.2%**	**1,872**	**–27**	**–1.4%**
NextEra Energy	2,060	–132	–6.4%	1,865	–18	–1.0%	2,478	11	0.4%	2,441	–35	–1.4%	**6,403**	**–139**	**–2.2%**	**8,844**	**–174**	**–2.0%**
Navistar International	299	9	3.0%	435	3	0.7%	162	–30	–18.5%	248	3	1.2%	**896**	**–18**	**–2.0%**	**1,144**	**–15**	**–1.3%**
Boeing	3,791	–39	–1.0%	1,494	–136	–9.1%	4,450	–3	–0.1%	5,111	–635	–12.4%	**9,735**	**–178**	**–1.8%**	**14,847**	**–812**	**–5.5%**
Wells Fargo	11,087	1,941	17.5%	21,797	–3,967	–18.2%	16,486	1,345	8.2%	19,788	3,287	16.6%	**49,370**	**–681**	**–1.4%**	**69,158**	**2,606**	**3.8%**
El Paso	1,669	–36	–2.2%	1,205	–1	–0.1%	1,231	–4	–0.3%	544	—	—	**4,105**	**–41**	**–1.0%**	**4,649**	**–41**	**–0.9%**
Mattel	235	4	1.8%	356	–21	–5.9%	430	8	1.8%	472	–4	–0.9%	**1,020**	**–9**	**–0.9%**	**1,492**	**–13**	**–0.9%**
Honeywell International	1,937	476	24.6%	1,723	–28	–1.6%	1,243	–482	–38.7%	312	136	43.6%	**4,903**	**–34**	**–0.7%**	**5,215**	**102**	**2.0%**
DTE Energy	802	130	16.2%	765	25	3.3%	924	–172	–18.6%	965	25	2.6%	**2,491**	**–17**	**–0.7%**	**3,456**	**8**	**0.2%**
Apache	1,842	89	4.8%	441	–144	–32.6%	1,329	2	0.1%	2,377	38	1.6%	**3,613**	**–53**	**–1.5%**	**5,989**	**–15**	**–0.3%**
Corning	801	4	0.5%	202	–8	–4.0%	974	—	—	966	–2	–0.2%	**1,977**	**–4**	**–0.2%**	**2,943**	**–6**	**–0.2%**
Totals	**49,201**	**1,647**	**3.3%**	**48,223**	**–8,086**	**–16.8%**	**50,431**	**–4,064**	**–8.1%**	**57,587**	**4,085**	**7.1%**	**147,855**	**–10,503**	**–7.1%**	**205,443**	**–6,418**	**–3.1%**

How 30 No-Tax Corporations in 2008-10 Fared in 2011 only

$-millions	2011 only		
	Profit	Tax	Rate
Wisconsin Energy	717	–238	–33.2%
Integrys Energy Group	359	–45	–12.4%
Boeing	5,111	–635	–12.4%
PG&E Corp.	1,146	–77	–6.7%
CenterPoint Energy	1,150	–63	–5.5%
Atmos Energy	306	–11	–3.7%
NiSource	468	–14	–3.0%
Duke Energy	1,759	–37	–2.1%
Interpublic Group	418	–6	–1.4%
NextEra Energy	2,441	–35	–1.4%
Mattel	472	–4	–0.9%
Paccar	587	–3	–0.6%
Corning	966	–2	–0.2%
Tenet Healthcare	167	—	—
El Paso	544	—	—
Ryder System	216	0	0.1%
CMS Energy	580	2	0.3%
American Electric Power	2,330	20	0.9%
Navistar International	248	3	1.2%
Apache	2,377	38	1.6%
Pepco Holdings	$ 381	$ 9	2.4%
Con-way	136	3	2.4%
DTE Energy	965	25	2.6%
Consolidated Edison	1,606	53	3.3%
General Electric	9,156	1,032	11.3%
Verizon Communications	1,640	193	11.8%
Baxter International	371	58	15.5%
Wells Fargo	19,788	3,287	16.6%
Honeywell International	312	136	43.6%
DuPont	871	397	45.6%
Totals	**$ 57,587**	**$ 4,085**	**7.1%**

Less than 4% in 2011	**24**

Company-by-company notes:

American Electric Power: Deferred taxes, driven primarily by accelerated depreciation, explain most of the company's low rates in each year from 2008 through 2011.

Apache: The study reversed impairments for the carrying value of oil and gas properties in 2009 and 2008. Tax deferrals from "depreciation, depletion and amortization" explain much of the company's low taxes in 2010 and 2009, but these items cut the other way in the previous two years. The Domestic Production Activities Deduction saved the company $7 million in 2008. *Note:* In entering 2011 data for Apache, we discovered that we had missed a well-hidden entry in Apache's financial statements for excess stock option tax benefits. Including these tax benefits lowered Apache's effective 2008-10 tax rate from +0.6% to –1.5%. As a result, we have included Apache in the 2008-10 no-tax list for this updated report.

Atmos Energy: The company's fiscal years end in September of the years listed. Most of the company's tax breaks were due to tax deferrals, apparently related to accelerated depreciation.

Baxter International: For 2008-11, the company says that 41% of its revenues were in the U.S., but only 13% of its pretax profits were in the U.S., suggesting that it may be substantially understating its pretax U.S. income. Excess tax benefits from stock options reduced federal and state taxes by $21 million, $41 million, $96 million and $112 million in 2011, 2010, 2009 and 2008. The other sources of the company's low taxes are unclear.

Boeing: Tax deferrals, primarily relating to "inventory & long-term contract methods of income recognition" saved the company $1,856 million, $969 million, $457 million and $1,151 million in 2011, 2010, 2009 and 2008.The research and experimentation tax credit saved the company $146 million, $158 million, $175 million and $172 million in the same years. Excess tax benefits from stock options reduced federal and state taxes by $36 million, $19 million, $5 million and $100 million in the same years. The company has paid no net federal income taxes for more than 10 years.

CenterPoint Energy: Tax deferrals, largely related to accelerated depreciation, explain most of the company's low taxes. The company does not appear to have paid any net federal income tax for at least 10 years.

CMS Energy: Tax deferrals, largely related to accelerated depreciation, explain most of the company's low taxes. The research and experimentation tax credit saved the company $3 million and $9 million in 2010 and 2009.

Consolidated Edison: Tax deferrals, largely related to accelerated depreciation, explain most of the company's low taxes. The company has paid an effective federal tax rate of only 2.2% over the past decade.
Con-way: Reported pretax profits in 2010, 2009 and 2008 were adjusted upward for non-cash goodwill impairment charges. Tax deferrals, largely related to accelerated depreciation, explain most of the company's low taxes.

DTE Energy: We made minor corrections to the 2008-10 pretax U.S. profits we reported in our November 2011 study (to subtract state taxes, which the company previously had not disclosed). Tax deferrals, largely related to accelerated depreciation, explain most of the company's low taxes. The Domestic Production Activities Deduction saved the company $7 million, $7 million, $5 million and $2 million in 2011, 2010, 2009 and 2008.

Duke Energy: Reported pretax profits in 2009 and 2010 were adjusted upward for a non-cash goodwill impairment. Tax deferrals, largely related to accelerated depreciation, explain most of the company's low taxes. The Domestic Production Activities Deduction saved the company $18 million in 2008. Accelerated depreciation saved the company substantial amounts in all four years.

DuPont: The company's low taxes in 2008-10 reflect deferred taxes, primarily due to accelerated deprecation. The high tax rate in 2011 reflects a turnaround in deferred taxes, but the source of this turnaround is unclear.

El Paso Energy: The study reversed "ceiling test" impairments for the carrying value of oil and gas properties in 2009 and 2008.

General Electric: The study adjusted U.S. pretax income by replacing the company's provision for loan losses with actual charges net of recoveries. This had the effect of increasing pretax income in 2009 and 2008 and reducing pretax income in 2010 and 2011. GE's low taxes stem mainly from its finance arm, GE Capital, which makes big profits, but generates huge tax "losses" that reduce GE's taxable income from its other operations. Over the past decade, GE has paid virtually nothing in federal income taxes, paying a paltry 2.3% tax rate on its $83 billion in pretax U.S. profits.

Honeywell International: Deferred taxes, partially due to accelerated depreciation, explain much of the company's low tax rates in 2008-10. The high tax rate in 2011 reflected a turnaround in taxes previously deferred. Excess tax benefits from stock options reduced federal and state taxes by $42 million, $13 million, $1 million and $21 million in 2011, 2010, 2009 and 2008.

Integrys Energy Group: Reported pretax profits in 2008 were adjusted upward for a non-cash goodwill impairment charge. Restructuring charges in 2009 were reassigned to the years when the money was spent. Tax deferrals, largely related to accelerated depreciation, explain most of the company's low taxes.

Interpublic: We missed a small excess stock option benefit in 2010 in our earlier study, which is corrected here. The company has generated tax deferrals from "basis differences in intangible assets," but these do not fully explain its low federal income taxes.

Mattel: The company offered two versions of the geographic location of its profits. We used the more plausible of the two. The company recorded minor restructuring charges in 2010, 2009 and 2008. The study adjusted U.S. pretax profits for the current effect of those charges, which increased reported U.S. profits slightly in 2009 and 2008 and reduced them slightly in 2010 and2011. Excess tax benefits from stock options reduced (increased) federal and state taxes by $24 million, $8 million, $37 million and ($2) million in 2011, 2010, 2009 and 2008.

Navistar International: The company's fiscal years end in October of the years listed. The research and experimentation tax credit saved the company $27 million, $2 million, $2 million and $8 million in 2011, 2010, 2009 and 2008. The other sources of the company's low taxes are unclear.

NextEra Energy: Tax deferrals, mostly from accelerated depreciation, explain a portion of the company's low tax rates. The company has paid no net federal income taxes for at least the past 10 years.

NiSource: Tax deferrals, mostly from accelerated depreciation, explain almost all of the company's low tax rates. The Domestic Production Activities Deduction saved the company $1 million and $2 million in 2009 and 2008.

Paccar: The research and experimentation tax credit saved the company $5 million, $3 million, $4 million and $6 million in 2011, 2010, 2009 and 2008. Excess tax benefits from stock options reduced federal and state taxes by $5 million, $11 million, $7 million and $4 million in 2011, 2010, 2009 and 2008. Tax breaks from depreciation, including leasing, explain much of the company's low tax rates. The company's 2010 tax was adjusted downward and profits adjusted slightly upward from our earlier report to account for stock option tax breaks that we missed.

Pepco Holdings: The company recorded small restructuring charges in 2010. The study reallocated these charges to the years they were actually spent. This slightly increased U.S. pretax profits in 2010 and slightly reduced them in 2011. Tax deferrals, primarily from accelerated depreciation, reduced the company's taxes substantially, as did other factors. The company does not appear to have paid any net federal income tax for at least a decade.

PG&E Corp.: The company's low taxes stem primarily from tax deferrals, which in turn stem mostly from accelerated depreciation.

Ryder System: Accelerated depreciation explains most of the company's lack of taxes. Excess tax benefits from stock options reduced federal and state taxes by $2 million, $1 million, $1 million and $6 million in 2010, 2009 and 2008.

Verizon Communications: We fixed the 2009 and 2010 pretax U.S. profits we reported for Verizon to remove Vodaphone's share of Verizon Wireless's pretax profits. (An accounting change by Verizon starting in 2009 included Vodaphone's share of Verizon Wireless's pretax profits in Verizon's total pretax profits.) This change had no effect on Verizon's taxes paid, but slightly reduced Verizon's 2008-10 effective tax rate. In its 2010 report, the company changed its accounting method for pensions, and retroactively restated its pretax profits for 2009 and 2008. The restatement had little effect for 2009. For 2008, our report uses the profits actually reported in the company's 2008 report. Accelerated depreciation and amortization comprised most of the company's tax subsidies. In 2008 and again in 2010, the company divested substantial assets using a technique known as a "reverse Morris trust" transaction, saving an estimated $1.5 billion in federal and state income taxes. Over a number of years, the company has deferred approximately $2.0 billion in taxes as the lessor in leveraged leasing transactions of commercial aircraft, power generating facilities, real estate, and other assets unrelated to their core business. Accelerated depreciation plays a key role in the company's low tax rates.

Wells Fargo: Because the company does not disclose U.S. and foreign pretax income, the study estimated the company's small amount of foreign pretax income based on reported current foreign income taxes. Pretax income was adjusted by replacing the company's non-cash "provision for loan losses" with actual "charge-offs, net of recoveries." This adjustment reduced pretax profits in 2011 and 2010 and increased them in 2009 and 2008. Excess tax benefits from stock options reduced federal and state taxes by $79 million, $97 million, $18 million and $123 million in 2011, 2010, 2009 and 2008. Accelerated depreciation associated with leasing saved the company significant amounts in all four years. A Bush Treasury Department ruling in late 2008, which many tax experts have called illegal, allowed Wells Fargo to use "tax losses" acquired from its acquisition of Wachovia. Utilization of these tax breaks appears to have cut Wells Fargo's taxes by more than $8 billion in 2009 and 2010.

Wisconsin Energy: Tax deferrals, mostly from accelerated depreciation, are the main driver of the company's low taxes. The Domestic Production Activities Deduction saved the company $13 million, $13 million, $8 million and $8 million in 2011, 2010, 2009 and 2008. Excess tax benefits from stock options reduced federal and state taxes by $12 million, $22 million, $6 million and $3 million in the same years.

Citizens for Tax Justice (CTJ), founded in 1979, is a 501 (c)(4) public interest research and advocacy organization focusing on federal, state and local tax policies and their impact upon our nation (www.ctj.org).

Founded in 1980, the Institute on Taxation and Economic Policy (ITEP) is a 501 (c)(3) non-profit, non-partisan research organization, based in Washington, DC, that focuses on federal and state tax policy. ITEP's mission is to inform policymakers and the public of the effects of current and proposed tax policies on tax fairness, government budgets, and sound economic policy (www.itepnet.org).

Full details on the methodology behind the numbers can be found in our November 2011 report, *Corporate Taxpayers and Corporate Tax Dodgers*, pp. 66-67.
www.ctj.org/corporatetaxdodgers/CorporateTaxDodgersReport.pdf

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