OXFAM America

OXFAM MEDIA BRIEFING
APRIL 12, 2017

Rigged reform

US companies are dodging billions in taxes but proposed reforms will make things worse

Background

Rigged tax rules cost Americans approximately $135 billion each year in corporate tax dodging and sap an estimated $100 billion every year from poor countries. Despite rhetoric to the contrary, reforms proposed by President Trump and Congressional leaders will further rig the rules in favor of the rich and powerful at the expense of everyone else. Rather than "Drain the Swamp," proposed reforms have empowered a group of powerful special interests, corporate lobbyists and front groups to game the tax code in ways that will harm working families, deepen the inequality crisis. It is time for Congress to take a fresh look at reform and seek measures that enable cooperation rather than a mutually destructive race to the bottom between nations.

Introduction

The extreme gap between rich and poor is helping reshape US politics in unpredictable ways. Just 8 individuals now have the same wealth as 3.6 billion people – half of humanity– and the 1% owns more wealth than the rest of us combined.[1] After years of warnings, this extreme inequality is fundamentally changing political outcomes in the US and around the world.

President Trump was elected on the promise to fix a "rigged" political and economic system, which he argued was overrun with rules written by insiders working "to keep themselves in power and in the money."[2] Among the most potent examples of these rigged rules are our tax laws, which President Trump says he is uniquely placed to address, "I know our complex tax laws better than anyone who has ever run for president and am the only one who can fix them."[3]

A new analysis by Oxfam of the 50 largest public US companies shows that this task is harder than ever.[4] Tax dodging[5] by multinational corporations costs the US approximately $135 billion each year.[6] But these schemes do not just harm the US. The same tactics corporations use to dodge US taxes sap an estimated $100 billion every year from poor countries, preventing crucial investments in schools, hospitals, roads, and other tools to reduce poverty.[7] The harm done to Americans and people living in poor countries by corporate tax dodging are two sides of the same coin.

Oxfam's analysis, an update to the 2016 "Broken at the Top" report[8], reveals that the 50 largest US companies have deepened their use of tax havens, and boosted their investments in building political influence to push for even greater tax breaks than they already enjoy. This report does not accuse any of the 50 companies of acting illegally—rather, Oxfam's analysis of the companies' own reported data demonstrates how the current tax system permits companies to dodge billions of dollars of tax within the bounds of the law.

The analysis also highlights the lengths to which the largest companies flex their political muscle and avoid paying taxes in the US and around the world. Rather than seeking a more level playing field on tax – both in the US and abroad- these companies are using their vast political influence to further tilt the rules in their favor. The losers in this rigged game are small businesses and working families who don't have the means to shift profits among hundreds of offshore subsidiaries or the ability to deploy armies of lobbyists to preserve their favorite tax loophole.

Using corporate financial, lobbying and investor disclosures, Oxfam found that from 2009-2015:

- The 50 largest US companies relied on an opaque and secretive network of 1751 disclosed subsidiaries in tax havens to stash about $1.6 trillion offshore. The companies reported an increase of 143 tax haven subsidiaries and $200 billion in cash stashed offshore in a single year.
- These 50 companies spent approximately $2.5 billion on lobbying, roughly $46 million for every member of Congress. Oxfam estimates they spent approximately $352 million lobbying on tax issues alone while receiving over $423 billion in tax breaks. For every $1 they spent lobbying on tax issues they received an estimated $1200 in tax breaks.
- Five companies—General Electric, Verizon Communications, Comcast, AT&T and Exxon Mobil—spent the most lobbying on federal tax issues, accounting for approximately a quarter of all lobbying on tax by the top 50 companies.
- Even as these 50 companies earned over $4.2 trillion in profits globally, they used offshore tax havens to lower their effective overall tax rate to just 25.9%[9] according to the most generous estimate of their tax payments, well below the statutory rate of 35% and even below average levels paid in other developed countries. This rate dropped slightly from the 2008-2014 rate of 26.5%.
- On average, these 50 companies are members of at least two coalitions lobbying on tax issues that have sought to influence Congress and rig the tax rules to lower companies' tax payments. Eight of the 50 companies are members in four or more coalitions all pushing for favorable tax treatment. Walmart leads the way as a member of at least six separate coalitions seeking to influence Congressional tax writers.
- Corporate lobbying power could reap even greater financial rewards under tax reform proposals from President Trump and the House of Representatives. These 50 companies alone could receive a massive $327 billion windfall on the profits they have stashed offshore, in addition to massive financial benefits from lower rates and more favorable tax treatment in the future. These gains will go disproportionately to the wealthiest 1%.

President Trump and leaders in Congress have promised to fix the tax system, but their proposals will only make matters worse. Instead of supporting straightforward reforms to prevent large companies from gaming the system, President Trump and leaders in Congress are proposing changes that will:

1. Provide massive tax cuts to companies that have stashed trillions of dollars offshore.
2. Encourage US companies to dodge taxes on foreign profits.
3. Give giant new tax breaks to large, profitable companies.
4. Dramatically reshape the way US companies are taxed with terrible implications for poor countries.

The Border Adjustment Tax proposed by the House GOP will harm poor and middle class Americans and could cost poor countries more than double what the US spends on poverty-focused foreign aid.[10] As a direct result of this proposal, poor countries could face rapidly increasing costs in servicing their debts, which would drain resources needed for schools, hospitals and other basic services that help pull their citizens out of poverty.

The tax reform plans, which will cost the US trillions of dollars over the next decade, must be understood in the context of the Trump Administration's proposal to dramatically slash the federal budget, in part to help pay for tax cuts for the wealthy.

At a time of unprecedented global crisis, with 65 million people forced to flee their homes, up to four famines looming, and increasing havoc caused by climate change, the Trump Administration is proposing devastating cuts amounting to 31% of the federal accounts that fund foreign aid, the State Department, and the United Nations.[11] These cuts would come as 20 million people face starvation in Yemen, Somalia, South Sudan and Nigeria, and more than 1.4 million children could starve to death this year.[12]

President Trump's budget would slash or abolish programs that have provided low-income Americans with help accessing affordable housing, job training, and programs to overcome homelessness. It slashes funding for rehabilitating homes in neighborhoods hardest hit by foreclosures and food delivery to homebound seniors.[13]

As the Washington Post wrote, "during the presidential campaign last year, Trump vowed that the solution to poverty was giving poor people incentives to work. But most of the proposed cuts in his budget target programs designed to help the working poor, as well as those who are jobless, cope."[14]

An analysis from the Center for American Progress found that the proposed cuts will be most harsh for rural and small town communities, where one in three people live paycheck to paycheck.[15]

Taken as a whole, President Trump and leaders in Congress are simultaneously proposing trillions of dollars of tax cuts for profitable companies and the wealthiest individuals alongside draconian service cuts targeted squarely at the poorest and most vulnerable. The specific tax "reforms" put forward by Congress go a step further, making the US a tax haven and raising the cost of living for working Americans.

It is time for Congress to take a fresh look at tax reform plans and start over with measures that do not further entrench the inequality crisis. Congress must enable cooperation with other countries also struggling to prevent tax abuse rather than compete with other nations in a mutually destructive way.

There are already proposals that would effectively crack down on tax abuse by large companies without harming the poor. Measures included in The Corporate Tax Dodging Prevention Act and the Stop Tax Haven Abuse Act offer a more reasonable and effective approach to reform that would simplify the tax code and ensure companies pay their rightful share.[16]

Even in the absence of legislative reforms, companies have a duty to be more responsible in their tax practices by publicly disclosing where they pay taxes and where they do business, reining in their aggressive tax dodging, and ending their use of undue political influence to rig tax laws in their favor.

Who Bears the Burden of Tax Dodging?

A fair and effective tax system is the lifeblood of an efficient and well-functioning government. It allows society to pay for basic services like schools, hospitals, roads, first responders, social safety nets and other vital public services that can address poverty and ensure a thriving business climate.

In developing countries, where there is an immense need to provide basic health and education for the hundreds of millions of people who still live in extreme poverty and lack affordable access even to primary schooling or preventative vaccines, revenues from taxes provide the most sustainable way to pay for teachers, doctors and police officers.

However, the international tax structure is stuck in the last century. In a globalized economy, national and local tax laws are increasingly tested by gaps in global governance and innovations in how large multinational companies structure their business and their financial reporting to minimize tax payments.

The current global tax architecture is secretive and uncoordinated, weakening the ability of governments to collect the taxes they are due. The rules are rigged to facilitate cross-border tax dodging. In particular, tax havens—offshore financial centers characterized by low- or zero-tax rates, high reliance on tax incentives, or lack of cooperation with international efforts against tax avoidance—are the most obvious conduits used to enable multinational corporations to escape taxes.[17]

The US loses an estimated $135 billion each year due to corporate tax dodging.[18] This is part of a larger trend that has seen federal revenues from corporate taxes steadily decline, forcing the US to seek revenues elsewhere, often in taxes that place a disproportionate burden on the poor. [19]

Only $1 out of $9 of federal revenue now comes from corporate taxes; it was $1 out of $3 in 1952.[20] Even as corporate profits have dramatically spiked in the last several decades, federal tax receipts have not kept pace. In 1952, the US federal government collected 53 cents of corporate tax for every $1 of profits earned by companies. Now the government collects just 19 cents of every $1 of corporate profits even though profits have skyrocketed.[21]

Meanwhile the share of taxes collected from regressive taxes like payroll taxes have increased. [22] This trend is not accidental; it is the result of policy choices sought by special interests that have contributed to growing inequality.[23]

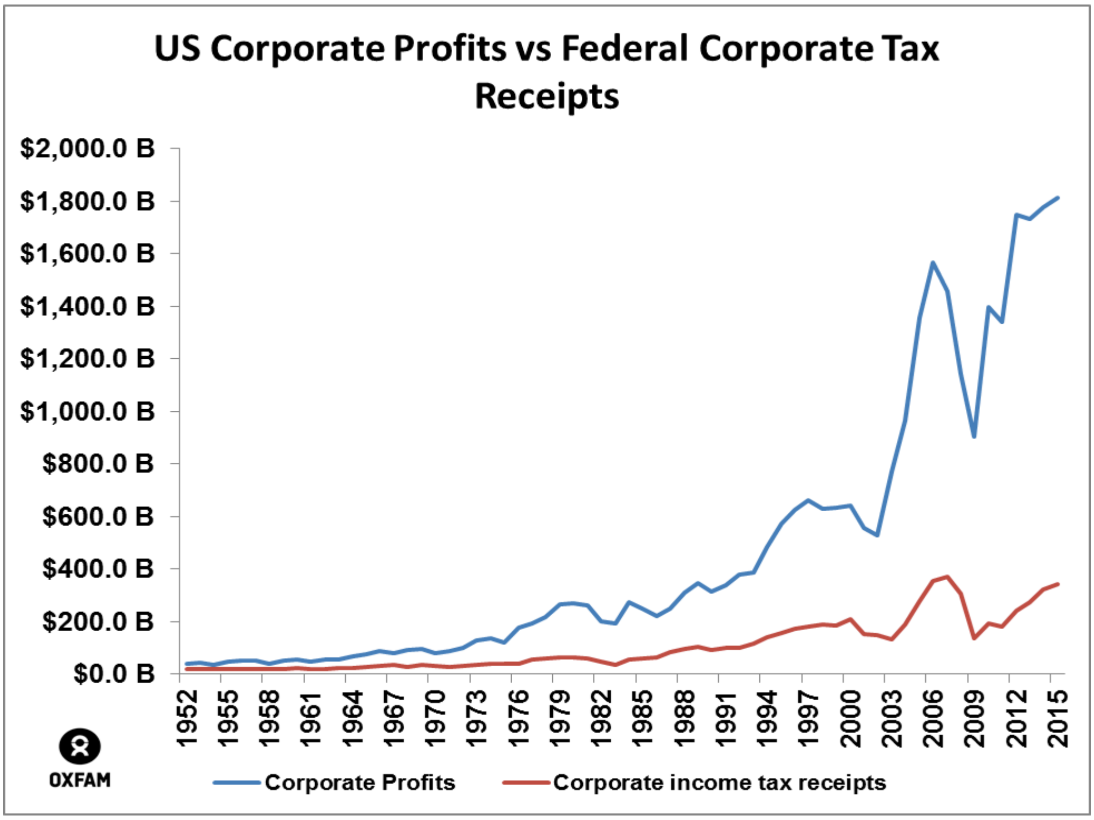

Figure 1 - US Corporate Profits vs. Federal Corporate Tax Receipts[24]

Less discussed in the US political context is the reality that big companies, many of which are headquartered in the US, use the exact same mechanisms to avoid US taxes to dodge tax payments in some of the poorest places on earth. The UN estimates that tax dodging by multinational companies costs developing countries $100 billion every year.[25]

Poor countries can be even worse off because public revenues in developing countries are more dependent on the taxation of large businesses, with corporate income taxes making up

17 percent of total revenues for developing country budgets, compared to around 10 percent for advanced countries.[26]

Recent IMF research indicates that revenue loss to developing countries is 30% higher than for OECD countries as a result of profit shifting activities by multinational companies.[27] Moreover, public resources to fund education, healthcare and basic infrastructure are sorely needed in poor countries where spending per capita on these basic essential services is dwarfed in comparison to large economies.[28] This is one reason that public services, like health and education are so weak in these countries.

$100 billion is four times what the 47 least developed countries in the world spend on education for their 932 million citizens.[29] $100 billion is equivalent to what it would cost to provide basic life-saving health services or safe water and sanitation to more than 2.2 billion people.[30]

Tax Dodging is Business as Usual

Exploiting tax loopholes and engaging in large-scale tax avoidance have become integral components of the profit-making strategies of many multinational corporations. Looking at the financial statements of the 50 largest public US companies it is clear that for large multinational corporations, tax dodging is not only business as usual, it is getting worse.

Oxfam America collected data for each of the 50 companies to measure: profits, federal taxes paid, total tax paid globally, effective tax rate, tax "breaks," money held offshore, subsidiaries in tax havens and federal lobbying expenditures. All of the information we present in this publication is based on publicly available data, most provided by the companies themselves in their annual 10-K filings with the SEC. A detailed description of our methodology for each of the metrics we present is available at the end of this paper.

Oxfam found that from 2009 – 2015, the top 50 US corporations, cumulatively:

- As of 2015, hold $1.6 trillion in offshore cash reserves;
- As of 2015, disclosed 1751 subsidiaries in offshore tax havens;[31]
- Made $4.2 trillion in profits;
- Owed approximately $1 trillion in taxes globally, $560 billion of which was owed to the US federal government;[32]
- Reported an average overall effective tax rate of 25.9%, 9.1% lower than the statutory rate of 35%;[33]
- Actually paid $93 billion less in taxes than they reported owing over this period;
- Received $423 billion in tax "breaks";[34]

What they pay vs what they say they owe

Collectively these 50 companies paid a global effective tax rate of just 25.9% overall, 9.1% lower than the statutory rate of 35% and roughly on par with what multinationals pay in other developed countries.[35] This rate accounts not just for the taxes paid to the federal government, but taxes companies reported paying to states, localities and foreign governments. When you look just at taxes paid to the US federal government, it amounts to only approximately 13.3% of the companies' overall profits.

25.9% is an extremely generous estimate of company tax payments taken directly from corporate disclosures. It incorporates "deferred tax liabilities" which are not actually paid in the year they are estimated if they are ever paid at all. It is an intentionally conservative assessment to give maximum benefit of the doubt to companies. Other methodologies have shown that the true effective tax rates for large companies may be substantially lower. A 2017 study by Citizens for Tax Justice examined five years of data and found that Fortune 500 companies paid an average federal effective corporate income tax rate of just 21.2%, nearly 14 points off the 35 percent statutory rate.[36]

In fact when you just look at the cash companies report actually paying in tax between 2009 and2015 - rather than the amount they say they owed over that period - you find a significant difference. These 50 companies report paying $93 billion less in taxes than they claim they owed from 2009-2015.[37]

That's an average of $13.3 billion every year. To put this into perspective, the Trump Administration's "skinny budget" proposes to slash funding to the State Department and USAID by 31% from current levels.[38] This would amount to a cut of roughly $7.3 billion annually.[39]

That means that these 50 companies alone could help the US avoid every dollar in proposed cuts to anti-poverty aid simply by paying the taxes they already tell their shareholders they owe. There would even be $6 billion left over for other priorities.

$13.3 billion is enough to ensure 246 million people have access to safe water and sanitation services that prevent the spread of disease.[40] Right now 663 million people - 1 in 10 - lack access to safe water and 2.4 billion people - 1 in 3 - lack access to a toilet.[41]

$13.3 billion would be enough to provide life-saving emergency food aid to reach 345 million people.[42] Globally 795 million people – 1 in 9 – do not have enough nutritious food to eat.[43] Four countries are currently in the midst of or on the brink of famine threating the lives of millions of children.[44]

In 2016, the UN estimated that it would cost $19.7 billion to fund their emergency response to reach 96.6 million people they targeted with live-saving humanitarian assistance.[45] Governments collectively contributed $11.8 billion towards the UN's relief efforts, leaving a gap of $7.8 billion.[46] $13.3 billion would have been more than enough to fill this gap, saving millions of lives in the process.

Tax Breaks

Companies' low tax rates are the result of various tax incentives and loopholes. The 25.9% rate companies paid represents a tax "break" of $423 billion over the 7 year period between 2009 and 2015 up from the $337 billion breaks they received from 2008 to 2014.[47]

This amounts to an annual federal tax "break" of more than $60 billion. In other words, the federal government spends more than twice as much on tax "breaks" for these 50 companies alone as it does on poverty-focused foreign aid each year.[48]

The tax "breaks" for these 50 companies alone cost the US government more than twice as much every year as 47 of the poorest countries in the world spend on education for all of their roughly 932 million citizens combined.[49]

Tax havens and offshore funds

Companies were able to lower their rates in part by stashing $1.6 trillion offshore and relying on a massive network of 1751 subsidiaries in tax havens. This marks a $200 billion increase in funds stashed offshore and 143 additional subsidiaries in tax havens disclosed by these companies since Oxfam's 2016 report.

Additionally, because of very weak disclosure rules, the 1751 subsidiaries that the top 50 companies disclosed to the SEC is just the tip of the iceberg. The SEC only requires companies to disclose what they deem "significant subsidiaries." These are subsidiaries where either 1) the investment in the subsidiary constitutes more the 10% of the corporation's total consolidated assets or 2) the income from the subsidiary exceeds 10% of the corporation's total consolidated income.[50]

There is evidence that this weak standard enables companies to hide vast numbers of subsidiaries. Seven of the top 50 companies are financial companies that are required to report their full list of subsidiaries to the Federal Reserve, which has a stricter standard of disclosure. These seven companies alone reported an additional 623 subsidiaries in tax havens (on average 89 per company).

If that average applies for all 50 companies, the 50 biggest companies could have upwards of 6201 subsidiaries in tax havens.[51] Closing the SEC loophole that allows companies to vastly underreport their offshore subsidiaries would help policymakers and the public better assess companies' actual tax practices.

The Undrained Swamp

"I will Make Our Government Honest Again -- believe me. But first, I'm going to have to #DrainTheSwamp in DC." Donald Trump, October 18th, 2016.[52]

As the 2016 campaign edged toward a conclusion, then candidate Trump found a new message to frame his promise to pursue change in Washington. President Trump committed to "Drain the Swamp" and fight for an honest government that serves the interests of what he has called "the forgotten men and women of our country."[53]

But when it comes to the issue of taxes, and particularly the effort to achieve largescale corporate tax reform in 2017, the lobbyists and influence peddlers are out in full force seeking to further rig the rules in favor of large companies and wealthy individuals.

Dozens of front groups, trade organizations and corporate interest coalitions have emerged to ensure Congress protects the interests of specific companies and industries and slashes corporate tax rates to the bone. The lead tax writer in the House of Representatives, Ways and Means Chairman Kevin Brady (R-TX), has gloated at the access that favored industries like large banks have gotten from his staff to enable the bill authors to "get it right" in the eyes of bank lobbyists.

When asked about how his tax reform proposal would treat the financial services industry, Brady said, "They're in with our tax team on a weekly basis. So we'll get that one right too. We're getting a great response from them."[54]

They are not the only industry with preferential access. After seeming to pick a loud public fight with pharmaceutical companies over high drug prices, President Trump quickly backed-down in a meeting with Pharma executives, promising instead to lower their taxes and cut regulations.[55] According to the Center for Responsive Politics, Pharma is the largest corporate lobby in Washington, spending $3.5 billion on lobbying since 1998, more than $1 billion more than the second largest, the insurance industry.[56]

President Trump has made similar promises to cut taxes to the CEOs of large manufacturing companies[57], to airline executives[58], and to retailers.[59] Years of investments in lobbying and campaign contributions by companies seeking even greater tax benefits than they already enjoy seem on track to pay-off.

Oxfam analyzed the lobbying disclosures of the top 50 companies and found the swamp more filled with alligators than ever before. The top 50 companies spent roughly $2.5 billion on lobbying from 2009 to 2015. Over this time span, on average these companies lobbied on 526 issues, 75 of which (14.25%) relate specifically to taxes.[60] Based on that average, companies spent upwards of $352 million lobbying specifically on tax issues while receiving $423 billion in tax breaks.

Five companies, General Electric, Verizon Communications, Comcast, AT&T and Exxon Mobil, spent the most lobbying on federal tax issues, accounting for approximately a quarter of all lobbying on tax by the top 50 companies.

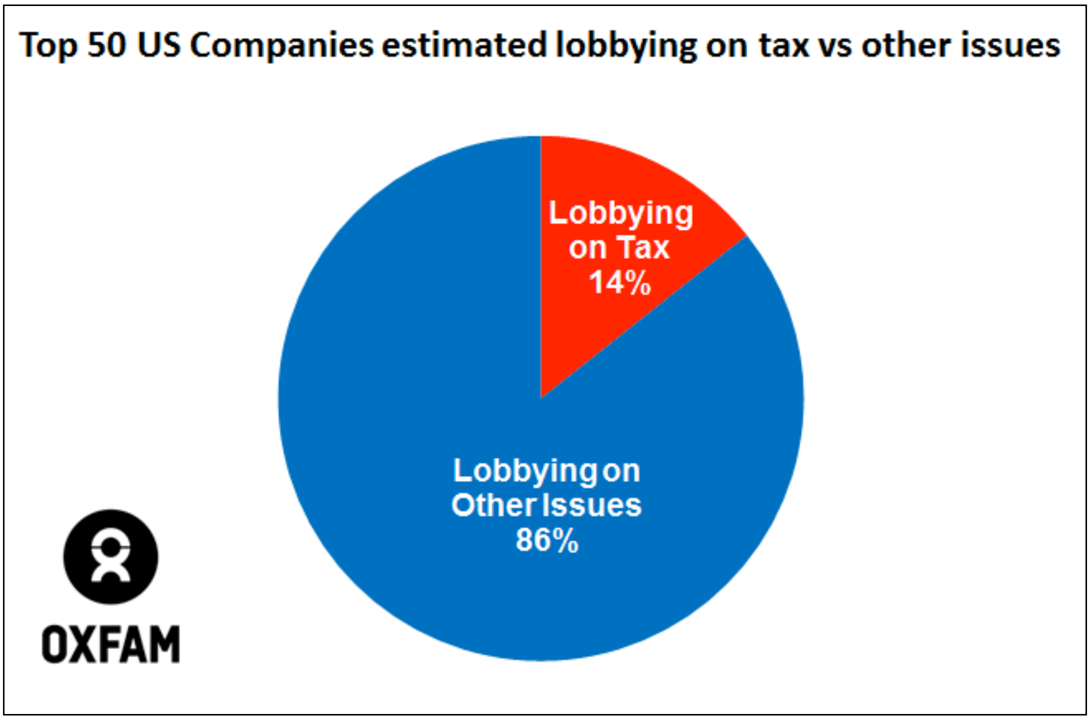

Figure 2 – Top 50 US Companies estimated lobbying on tax vs. other issues

That means that for every $1 they invested in lobbying on tax the top 50 received approximately $1200 in tax breaks. Even using a more conservative estimate - comparing every dollar they spent on lobbying on any issue to the tax breaks they get- would leave them with $172 in tax breaks for every $1 spent on lobbying. These benefits don't include all the services and federal support these companies take advantage of or the tax cuts and one-time windfall these companies expect to receive if President Trump or the House GOP Tax proposal becomes law.

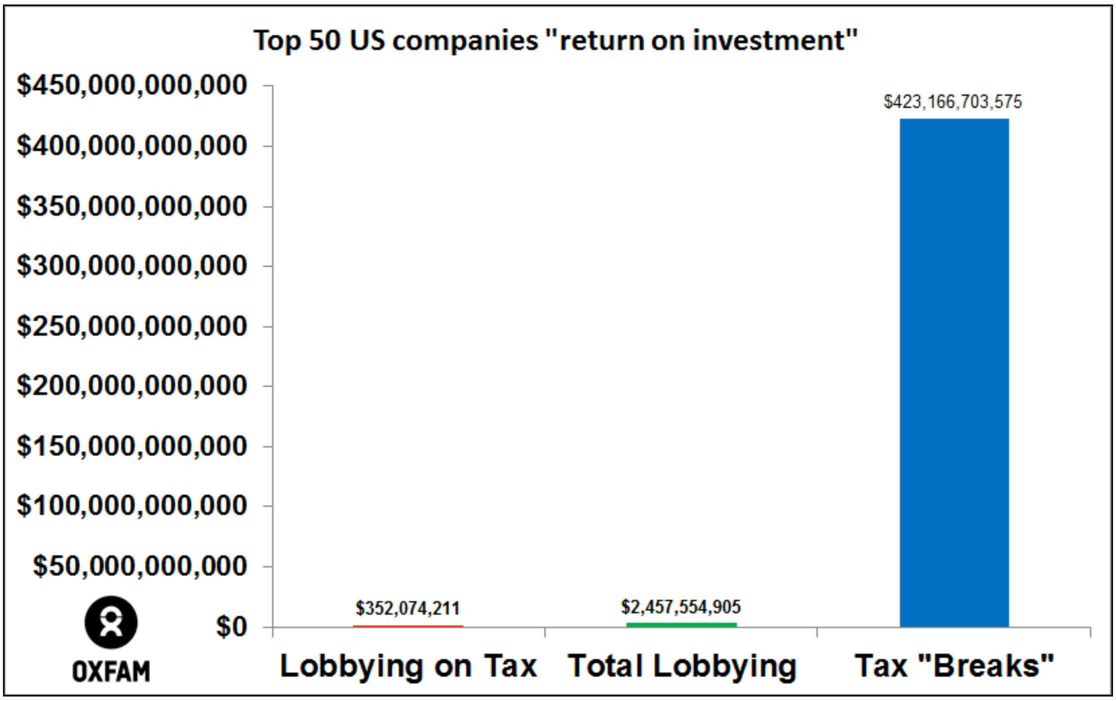

Figure 3 – Top 50 Companies' "return on investment" for lobbying on tax

The data does not indicate precisely what portion of the tax breaks companies receive is directly a result of their lobbying. But it does show that on the whole the various investments companies make to influence policy in Washington are paying off.

The data is in line with research on the power of lobbying to unlock lower tax rates for companies. Researchers at the University of Texas, UC San Diego and NYU have found that increasing registered lobbying expenditures by 1% appears to lower effective tax rates by up to 1.6% in the following year.[61] In other words the more companies spend on lobbying, the less they have to pay in taxes.

Corporate efforts to tilt tax policy go well beyond direct lobbying. Companies are funding public relations campaigns, front groups, advertisements and large-scale efforts to gin-up public outrage. The proposed Border Adjustment Tax - to be discussed later in the paper - has even spurred competing corporate coalitions alongside anonymously funded front groups such as the US Consumer Coalition[62], seeking to sway public and Congressional opinion.[63]

The US Consumer Coalition, a poster-child of an anonymously funded and opaque front-group, is run by a PR firm with ties to several conservative causes. [64] In the past it has been "hired" to run anti-regulation issue campaigns favored by large anonymous donors.[65] The coalition has paid for ads and run social media campaigns seeking to undermine the prospects of the Border Adjustment Tax becoming law. Since the group does not disclose its donors or backers, it is unclear who is funding the campaign or why.

Figure 4 – US Consumers Coalition Twitter Advertising

Koch Brothers-funded "Americans for Prosperity" has also jumped into the fray to oppose the Border Adjustment Tax, running AstroTurf campaigns in more than 35 states and producing a video criticizing the plan.[66]

Not all corporate interests are united in this battle. The American Made Coalition has responded with its own ads in support of the Border Adjustment Tax (BAT) by arguing against what they call a "Made in America Tax".[67] The coalition is set up to carry a message of support for the BAT on behalf of some of the largest US corporations including Pfizer, Johnson & Johnson, General Electric and Dow Chemical.[68]

The 50 largest companies are active supporters of numerous coalitions and trade organizations working to exert undue influence on federal tax policy that undermines a fair and effective US tax system.

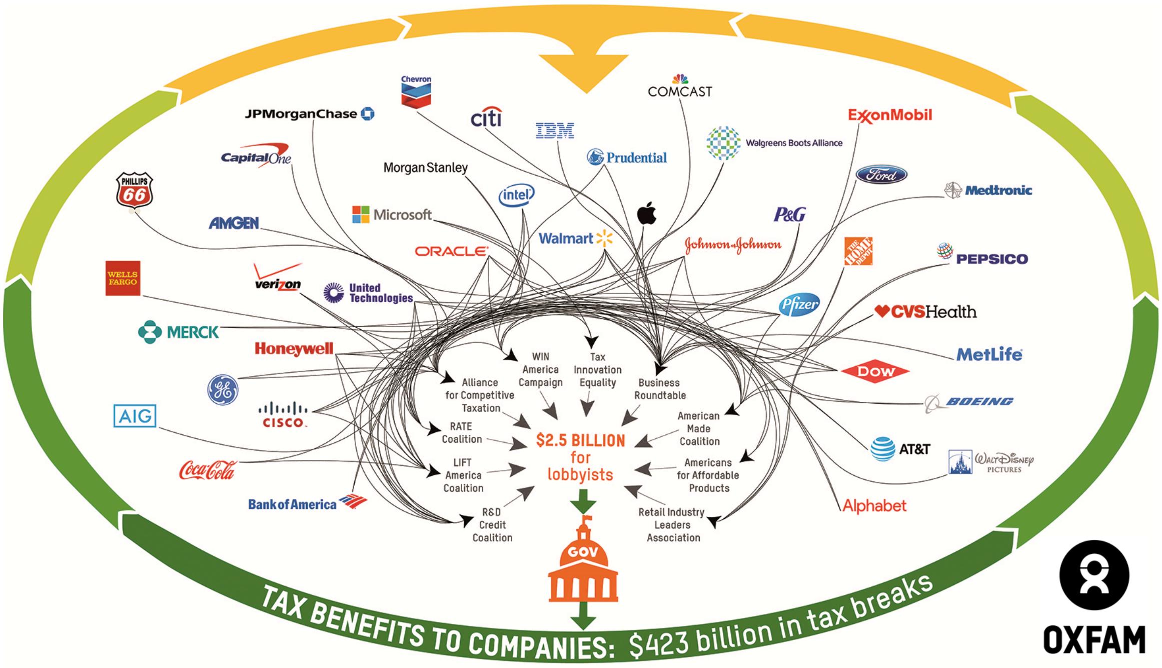

Figure 5 – The Rigged Tax Code Visualized – Membership map of corporate tax lobby coalitions- Interactive version available at www.oxfamamerica.org/riggedreform. Full list of members available in annex.[69]

On average the 50 companies are each a member of at least two coalitions working to influence Congressional tax writers. Eight of the 50 companies are members in four or more coalitions all pushing for favorable tax treatment. Walmart leads the way as a member of at least six separate coalitions followed by Honeywell International Inc., Johnson & Johnson, Oracle Corporation, Pfizer Inc. and United Technologies, which is each a member of five. Cisco Systems, Inc. and Dow Chemical Company each participate in at least four groups.

Many of the coalitions have rhetorically ambiguous names like the LIFT America Coalition or the Tax Innovation Equality Coalition (TIE). The memberships are often overlapping and each group fills a specific niche relevant to its members like seeking lower taxes on intellectual property or for research and development. What ties them together is their relentless focus on lowering the taxes that large companies pay in ways that will benefit the wealthiest people in the world most.

COALITION	TOTAL MEMBERS
Alliance for Competitive Taxation	37
American Made Coalition	25+
Americans for Affordable Products	167
Business Roundtable	186
LIFT America Coalition	21
R&D Credit Coalition	60
RATE Coalition	33
Retail Industry Leaders Association	71
Tax Innovation Equality	16
WIN America Campaign[70]	43

Figure 6 – Corporate Tax Lobbying Coalitions - Full list of members available in annex.[71]

Wrong-headed Reform

As their top shared priority after the failed repeal and replacement of Obamacare, the Trump administration and leaders in Congress are pursuing a new effort to radically reform the US tax code.

President Trump has set high expectations that he will be able to fix a US economy and tax system that, by his own description, is rigged against the poor and middle class and controlled by special interests. Yet these reforms[72] will only further rig American tax laws in favor of wealthy and powerful special interests and intensify the global race to the bottom on corporate taxation, while doing little to prevent large corporations from shifting their profits into offshore tax havens, fueling the inequality crisis.

If passed into law, the overall effect of the reforms to corporate and individual taxation proposed by Trump and Congressional leaders will be to reduce taxes for the wealthiest Americans and to reward the largest and most profitable companies for avoiding their taxes. The Trump and House GOP plans will primarily benefit profitable multinational corporations and their shareholders, most of whom are already wealthy, while harming poor people and the middle class by increasing the cost of everyday items and slashing revenues needed to pay for infrastructure and public services both in the US and in poor countries. Coupled with their multi-trillion dollar proposals to slash taxes for wealthy individuals, these plans are a blueprint to drive even greater inequality in the US and around the world.

According to the Tax Policy Center, the House GOP plan would cost $3.1 trillion over the first decade, $3 trillion if you estimate that the plan will spur some economic growth. [73] They estimate that the corporate tax reforms in the plan cost $890 billion over 10 years. More than three quarters of the tax cuts would go to the top 1% of earners compared to just 0.8% going to the poorest fifth of the population.[74]

This paper discusses three key elements related to corporate taxation in the reform proposals offered by GOP leaders in Congress and President Trump: Reductions to Corporate Tax Rates, a Repatriation Holiday and the Border Adjustment Tax, all of which serve the interests of wealthy individuals and profitable companies at the expense of the poorest and most vulnerable along with working people in the US and in poor countries.[75]

Corporate Tax Rates

Both President Trump and Congressional leaders have promised dramatic overall corporate tax rate cuts. The current "statutory" federal corporate tax rate is 35%, but large companies use various tax incentives and loopholes to lower their effective tax rate substantially.[76]

In the US, the top 1 percent (those making more than $450,000 per year) earns 45 percent of corporate income.[77] That means the cost of corporate taxes applies much more to the wealthy than to average Americans.[78] That means the primary impact of reducing the corporate tax rate will be to increase incomes for wealthy shareholders while putting greater pressure on the federal budget.

Advocates for lower rates argue that cutting rates will spur growth and create jobs. In reality many companies are already saying that they plan to pass the savings on to wealthy shareholders.[79] According to the Tax Policy Center, the massive tax cuts of the Ryan plan would increase output by one percentage point between 2017 and 2026, but that positive impact would then disappear as higher budget deficits drive interest rates up and crowd out private investment.[80] If the tax cuts are accompanied by spending cuts to balance the budget, the net effect on growth and jobs is uncertain – not to mention the loss of public services to citizens.

President Trump has proposed to lower the statutory corporate tax rate to 15% while the House GOP plan lowers the rate to 20%. Lower rates are also likely to feed the destructive global race to the bottom on corporate tax. For the plans' proponents, the global race is actually a key selling point to their proposal. "America will leapfrog from dead last" among developed economies in terms of business-friendly tax policy, "to the lead pack," said Rep. Brady, a Texas Republican.[81]

But in a competition based on tax rates, this leading role can only be short-lived. In the weeks after the US election, the UK already signaled its ambitions to compete with the new US administration on taxes.[82] The last 20 years of cutthroat competition among countries has driven towards consistently lower rates. In 1990, the G20 average statutory corporate tax rate was 40 percent; in 2015, it was 28.7 percent.[83]

In addition, there are now a large and growing number of countries with a zero percent corporate tax rate, or at a level below half the worldwide average. [84] In December 2015, the OECD reported that average revenues from corporate incomes and gains in OECD countries fell from 3.6 percent to 2.8 percent of GDP between 2007 and 2014. [85]

Lowering the rates is - at best - a short-term strategy to compete in a global economy. Claims about lower rates being a panacea to create jobs and drive growth are unsupported by evidence. By definition, a race to the bottom leaves everybody at the bottom.

Repatriation Holiday

The second area where President Trump and leaders in Congress aim to boost the bottom lines of wealthy corporate shareholders is through a one-time repatriation holiday for profits companies have already stashed offshore.[86]

This tax break would retroactively lower the taxes already owed on profits already earned. The most recent repatriation holiday, approved by the Bush administration in 2004, was a massive failure. A US Senate investigation found that the 15 companies that benefited the most from the repatriation holiday cut more than 20,000 net jobs, decreased the pace of their research spending, cost the US Treasury $3.3 billion in estimated lost revenues over 10 years, and led to US companies stashing more funds offshore.[87]

Repatriation holidays reward companies for keeping money offshore and avoiding their taxes – to the detriment of the US Treasury and taxpayers. This incentivizes companies to move their profits to tax havens in expectation that they will eventually benefit from a one-time tax cut. The primary effect of tax holidays is to allow companies to pay more out in dividends to wealthy shareholders without having to pay taxes on the profits. Corporate executives are already signaling that the windfalls from tax-holiday proposals are likely to be spent to benefit investors rather than jobseekers.[88]

President Trump has proposed a one-time tax on offshore corporate profits of 10%. The House GOP proposes a one-time tax on offshore corporate profits of 8.75% on cash and 3.5% on other earnings, payable over an 8 year period. Both of these rates are substantially lower than the 35% statutory rate currently owed on these profits.

The 50 largest companies and their wealthy shareholders would be among the biggest winners from these proposals. Oxfam estimates that the 50 largest companies would gain between $312-327 billion overnight from this single policy change.[89] As some of the largest hoarders of offshore cash, Apple, Pfizer, Microsoft and General Electric would be by-far the largest beneficiaries of this plan accounting for $132 billion, upwards of 40% of the total, between these 4 companies alone.

Company Name	Permanently Reinvested Earnings (PRE)	Estimated Benefit from Trump Repatriation Plan	Estimated Benefit from House Repatriation Plan
Apple	$200,100,000,000	$43,450,285,714	$45,622,800,000
Pfizer	$193,586,538,462	$35,892,524,529	$37,687,150,755
Microsoft	$124,000,000,000	$28,077,142,857	$29,481,000,000

General Electric	$104,000,000,000	$19,282,448,980	$20,246,571,429
IBM	$68,100,000,000	$12,626,295,918	$13,257,610,714
Merck	$59,200,000,000	$10,976,163,265	$11,524,971,429
Alphabet (Google)	$58,300,000,000	$10,809,295,918	$11,349,760,714
Cisco Systems	$58,000,000,010	$10,753,673,471	$11,291,357,145
Johnson & Johnson	$58,000,000,000	$10,753,673,469	$11,291,357,143
Oracle	$42,600,000,000	$9,493,714,286	$9,968,400,000
Exxon Mobil	$51,000,000,000	$9,455,816,327	$9,928,607,143
Procter & Gamble	$49,000,000,000	$9,085,000,000	$9,539,250,000
Citigroup	$45,200,000,000	$9,072,285,714	$9,525,900,000
Chevron	$45,400,000,000	$8,417,530,612	$8,838,407,143
Amgen	$32,600,000,000	$8,150,000,000	$8,557,500,000
PepsiCo	$40,200,000,000	$7,453,408,163	$7,826,078,571
Gilead Sciences	$28,500,000,000	$6,921,428,571	$7,267,500,000
Coca-Cola	$31,900,000,000	$5,914,520,408	$6,210,246,429
JPMorgan Chase	$34,600,000,000	$5,857,285,714	$6,150,150,000
United Technologies	$29,000,000,000	$5,376,836,735	$5,645,678,571
Medtronic	$29,000,000,000	$5,376,836,735	$5,645,678,571
Intel	$26,900,000,000	$4,987,479,592	$5,236,853,571
Wal-Mart Stores	$26,100,000,000	$4,839,153,061	$5,081,110,714
Goldman Sachs Group	$28,550,000,000	$4,037,785,714	$4,239,675,000
Bank of America	$18,000,000,000	$3,574,285,714	$3,753,000,000
Mondelēz International	$19,200,000,000	$3,559,836,735	$3,737,828,571
Dow Chemical	$18,773,000,000	$3,480,667,449	$3,654,700,821
Honeywell International	$16,600,000,000	$3,077,775,510	$3,231,664,286
American Express	$9,900,000,100	$2,142,642,879	$2,249,775,023
Berkshire Hathaway	$10,400,000,000	$1,928,244,898	$2,024,657,143
General Motors	$6,900,000,000	$1,279,316,327	$1,343,282,143
MetLife	$4,900,000,000	$908,500,000	$953,925,000
Home Depot	$3,500,000,000	$648,928,571	$681,375,000
Morgan Stanley	$10,209,000,000	$634,416,429	$666,137,250
Prudential Financial	$3,215,000,000	$596,087,245	$625,891,607
Ford Motor	$5,500,000,000	$569,642,857	$598,125,000
Phillips 66	$2,800,000,000	$519,142,857	$545,100,000
Wells Fargo	$2,000,000,000	$398,571,429	$418,500,000
Walt Disney	$2,700,000,000	$391,500,000	$411,075,000
Allergan	$2,087,600,000	$387,058,082	$406,410,986
American International Group (AIG)	$1,800,000,000	$333,734,694	$350,421,429
Verizon Communications	$1,799,999,000	$333,734,508	$350,421,234
Capital One Financial	$1,500,001,100	$278,112,449	$292,018,071
Boeing	$700,000,000	$129,785,714	$136,275,000
UnitedHealth Group	$459,000,000	$85,102,347	$89,357,464
Comcast	N/A	N/A	N/A
AT&T	N/A	N/A	N/A
CVS Health	N/A	N/A	N/A
US Bancorp	N/A	N/A	N/A
Walgreens Boots Alliance	N/A	N/A	N/A

TOTAL	$1,606,780,138,672	$312,317,672,449	$327,933,556,071

Figure 7 - Benefits to the top 50 US public companies from Trump/House GOP proposed "repatriation holidays".[90]

Border Adjustment
The increasingly aggressive ways that companies rely on tax havens and other complex and artificial business structures to lower their tax burden has become a frequent justification for the tax reform proposals offered by Congress and the Trump Administration. [91] President Trump and Congressional leaders have argued that lowering the US corporate tax rates alongside other reforms will stop the flow of US businesses moving their production and headquarters offshore. [92]

The most radical and indeed controversial proposal to accomplish this goal is what is known as the "Border Adjustment Tax" (BAT), which is included in the House GOP tax plan. The basic principle of the plan is to remove taxes on exports and tax deductions on imports. The Institute on Taxation and Economic Policy provides a helpful explanation of how the BAT works with examples[93] below.

The proposal seeks to fix corporate tax dodging in the US as we know it, by making it worse elsewhere and introducing a bias for US-based production. But in addition to being risky and untested, the plan is regressive, bad for poor and working people in the US, and bad for poor countries and the people who live in those countries. It may be a well-meaning effort to incentivize job creation in the US and to raise revenue to help offset the cost of trillions of dollars in tax cuts for the rich, but it will actually increase poverty and inequality in the US and in poor countries.

Here are five of the top reasons the BAT is a bad idea:

1. The BAT won't end offshore tax dodging
While BAT proponents sell it on the basis of its ability to cajole US companies to stop avoiding US taxes, this proposition is uncertain at best. There are already numerous ways tax experts have concocted for companies to adjust their business models to continue to dodge taxes. Rather than putting an end to tax dodging, the BAT would kick start a new game of whack-a-mole with a different set of tax dodging techniques.

ITEP's recent report on the BAT offers a summary of several examples[94]:
a. US technology companies could sell their software to foreign companies that could resell them online to American consumers without paying any US taxes.

b. Financial transactions and other "services" may be exempted from the BAT as they are in certain Value Added Taxes offering a "bonanza" to financial firms. It is on this exact topic that Rep. Brady bragged about the role bank lobbyists were playing in helping to draft his tax bill (see page 5 "They're in with our tax team on a weekly basis."). In fairness to Rep. Brady, he has said that he is "not anticipating exceptions [to border adjustment]". [95] But his eagerness to reassure the financial services industry about how much special access they are receiving does not inspire confidence about how the bill is being crafted and who will benefit.

c. US exporters could merge with importers to capture tax advantages rather than market advantages. This would distort the market and lead to inefficiencies that could harm growth. Additionally, by eliminating the tax on foreign profits, the current BAT proposal would create larger incentives for US companies to dodge taxes that they owe to foreign governments, creating additional burdens on developing countries who already lose upwards of $100 billion each year to tax dodging.

The current US corporate tax system requires companies to pay a 35% tax on profits wherever they are earned. In theory this means US companies should not have an incentive to move foreign profits to tax havens. However, the deferral loophole currently allows companies to avoid large shares of their US tax on profits earned abroad by indefinitely parking profits in offshore, an issue that must be addressed.

But forgoing the worldwide tax system in favor of a BAT would create new and greater incentives for companies to use gimmicks and tax havens to reduce the taxes they pay on the profits earned abroad because companies will no longer have any expectation that those profits will be subject to the 35% US tax rate.

Not only will US companies face a higher incentive to cheat, but foreign governments will also face a higher incentive to engage in a harmful race to the bottom to attract US businesses.

With the US' worldwide system of taxation, there is in theory no advantage for one country to give tax breaks to a US multinational company in order to lure investment because the US multinational company owes the US a 35% tax regardless of where it earns its profits. Take away the 35% tax on worldwide profits and foreign governments are induced to multiply tax incentives directed at US companies.

Poor countries in particular face extreme pressures to offer special tax incentives in an effort to attract investment. Far too often tax incentives have been found to be ineffective, inefficient and costly. In a recent World Bank survey of investors in East Africa, 93 percent said they would have invested anyway even if tax incentives had not been an offer.[96]

Tax incentives are an especially challenging problem in developing countries. For example, Kenya is losing $1.1 billion a year to tax exemptions and incentives – almost twice what the government spends on its entire health budget,[97] in a country where mothers face a one in 40 chance of dying in childbirth.[98] Nigeria spends $2.9 billion on tax incentives, twice as much as it does on education, despite six million girls in the country not attending school.[99]

2. The BAT's effect on the dollar would be costly to Americans and poor countries
Advocates of the BAT claim that it is not a protectionist tax because it will cause the dollar to appreciate. Whether the dollar appreciates to anticipated levels, and how fast this change occurs, remains a very open question subject to much debate.[100] The uncertainty is itself a major weakness of the BAT: many profitable companies could suffer as their long-term business strategies are upset by unpredictable currency fluctuations.

If the dollar does appreciate by 25%, as some analysts have predicted[101], the laws of supply and demand suggest that the market would adjust and the intended "incentives" for US production and job creation would be a wash.[102] This undermines the chief argument in favor of the BAT: because of dollar appreciation the BAT will not improve America's competitiveness. Moreover there would still be substantial costs for anyone holding US dollar debt or assets in foreign currency.

"An appreciating dollar would erode America's net foreign-asset position, because an overwhelming 85% of its foreign liabilities are denominated in dollars, while around 70% of its foreign assets are denominated in a foreign currency."[103] According to Stan Veuger from the American Enterprise Institute, that could amount to "a loss of almost $2.5 trillion to American citizens and firms, or almost $8,000 per American."[104]

It's not just Americans who would suffer. Businesses, individuals and countries that hold US dollar debt would also see their debt burden skyrocket overnight. Turkish companies have accumulated dollar debts equivalent to 50% of Turkish GDP and Turkey could face a financial crisis at a time when it hosts the most refugees in the world.[105] That is a volatile mix.

The rise of the dollar hurts poor countries in several ways. Because a lot of developing countries' debt is denominated in dollars, they must raise more revenues in their local currencies to service their debt when the dollar appreciates. Developing countries also depend upon exports of raw commodities, which are traded in dollars. When the dollar appreciates, commodity prices fall, which further drags poor countries' revenues.[106]

Recent history gives a preview of what a 25% dollar appreciation could mean for developing countries. The dollar appreciated by about 20% in 2014-15, and commodity prices fell over the same period. A study of developing countries' debt burden estimates that governments of 51 developing countries lost a total of $61 billion in 2016 as a result. That is more than double what the US spends on poverty-focused foreign aid.[107] With one hand we giveth, with the other we taketh away.

3. The BAT will harm US consumers- primarily the poor and working people
By design, the BAT is regressive and it replaces one of the more progressive forms of taxation the US currently relies on. To the extent that the dollar does not fully appreciate to mitigate the tax, as some economists including Federal Reserve Chairwoman Yellen have warned, the BAT will increase prices for consumers, shifting a larger share of the corporate tax costs onto consumers.[108] This will disproportionately harm poor and working people while helping the wealthy.

Retailers, who have lobbied aggressively to block the BAT, have warned that consumers could face 20 percent higher prices on everything from gasoline to clothing. Americans for Affordable Products, the corporate-backed lobby coalition opposing the BAT, says that "the cost of everyday essential products like food, clothing and medicine will increase for consumers by more than $1700", $1 trillion more over 10 years.[109]

Among the primary selling points BAT supporters offer is that it raises $1.2 trillion over 10 years to help offset tax cuts proposed elsewhere in the bill which go primarily to wealthy individuals and profitable companies. This revenue is the lynchpin of the GOP's efforts to revamp the tax code without adding to the deficit.

"Advocates like [House Speaker Paul] Ryan warn the entire tax-reform effort will implode without the border adjustment plan, because lawmakers have no other obvious way to raise the $1 trillion it would generate to finance tax cuts, and certainly no alternative that won't create its own enemies."[110]

But there are questions about whether the proposal does actually raise as much revenue as its proponents estimate.[111] Even with this additional revenue, raised in a more regressive manner than the current corporate tax, the GOP tax plan would "represent a net cut in corporate taxes, one of the most progressive sources in the tax code, by about $1.3 trillion over the next decade."[112]

4. The BAT likely violates the WTO and would spark trade disputes
The BAT proposal is also likely to violate international trade law and treaty agreements the US has already entered, including most significantly World Trade Organization (WTO) rules. WTO rules prohibit countries from unfairly subsidizing exports or penalizing imports. "To this end, the key criterion for the WTO in evaluating a country's tax system is whether the country treats domestic and foreign products equally."[113]

The House GOP plan does not treat domestic and foreign products equally because it allows companies to deduct the wages and salaries paid out by domestic producers, which account for the majority of the tax base, in essence subsidizing US production.[114] Our trade partners will challenge the BAT on that basis, even if it turns out that the appreciation of the dollar neuters the BAT's protectionist effect.

Violating WTO rules could lead to costly retaliation, potentially even sparking a trade war. Navigating the WTO process is slow, but individual countries could retaliate against the US immediately and a number of countries, including Germany and Mexico are already warning that they will fight back in ways that cost American consumers and businesses.[115]

5. There are more effective ways to stop tax dodging that don't harm poor people

While the BAT has clear problems and costs, there are other, better ways to crack down on tax dodging by US companies that would help raise revenue for the US and help ensure US companies pay the taxes they owe to poor countries as well.

The simplest and most effective solution to corporate tax dodging is to end the deferral loophole and prevent inversions.[116] That would fix the worldwide system and comprehensively remove the incentive that companies currently have to relocate production abroad or artificially shift profits offshore, as they would pay the same tax rate on their global profits regardless of their location. It would also raise $119 billion a year at the current rates.[117]

Ending deferral would also help developing countries to raise more revenues for essential services. It would remove the incentive of US multinational companies to artificially shift the profits of their operations in developing countries to tax havens because they would be required to pay US taxes anyway. It would also make it unnecessary for developing countries to compete with each other with tax incentives to attract US multinationals.

Short of ending deferral and inversions, other steps can be taken to curb corporate tax dodging. Mandating public reporting of profits, taxes, assets and employees on a country-by-country basis is a critical step to shed transparency on offshore tax dodging. It would enable countries to crack down on tax dodging that is hidden by corporate secrecy and discourage companies from artificially shifting their profits. In 2016, the US put rules in place requiring large multinationals to begin reporting that data to the IRS, but not to the public. Public reporting is a crucial next step to ensure developing countries can access the data and fight tax avoidance or evasion. Mandating transparency of the real owners of shell corporations is another step that would help fight tax evasion and other financial crimes.

Other measures can be taken to close specific corporate tax loopholes like “transfer mispricing”[118] and “earnings stripping”[119]. Legislation already exists in congress to address all of these issues, and could be quickly incorporated into a new tax reform bill.

These ideas would simplify tax structures, raise substantial revenue and even enable legislators to lower statutory tax rates while keeping revenues to the US government steady or ideally higher than they currently are.

How does the BAT work?

When a company exports a product out of the United States, the revenue earned from that product would be exempt from the U.S. corporate income tax. Inversely, companies that import products would no longer be able to deduct product costs as an expense.

To illustrate how this would work, consider a simplified example of how the current worldwide system (ignoring the foreign tax credit and deferral) and the border adjustment system would apply to a U.S. wine company with a substantial amount of foreign sales in Table 1 below.

Table 1. Domestic Exporter Reliant on Foreign Sales

	Cool Wine Co. Under Current system	Cool Wine Co. With Border Adjustment
Domestic Sales	\$50	\$50
Foreign Sales	\$150	\$150 (not taxable)
Taxable Sales	\$200	\$50
Labor Costs	\$75	\$75
Import Costs	\$50	\$50 (not deductible)
Deductible Costs	\$125	\$75
Taxable Profits (Taxable Sales – Deductible Costs)	\$75	-\$25
Tax (20%)	\$15	-\$5 (tax refund)
Profit after tax (Sales – Costs – Tax)	**\$60**	**\$80**

Under the current system, taxable profits are calculated by adding the foreign and domestic sales (\$200) and then subtracting the total labor and import costs (\$125) to get a taxable income of \$75. In contrast, under the border adjustment system, foreign sales and import costs are ignored, so the calculation is domestic sales (\$50) minus labor costs (\$75) to get a taxable income of negative \$25. In Table 1, Cool Wine Co. ends up having a smaller amount of taxable profits because the inability to deduct the cost of its imports (\$50) is outweighed by the benefit it receives from escaping taxation on its foreign sales (\$150).

The opposite effect is possible for a company that relies more heavily on imports and domestic sales. As Table 2 illustrates, if Warm Wine Co. relied \$50 less on labor, \$50 more on imports and sold \$75 more of its products domestically, its taxable profits would not change (\$75) compared to Cool Wine Co. under the current system. In contrast, with the border adjustment, its taxable profits would double to \$150 because these profits would be a function of their domestic sales (\$175) minus their labor costs (\$25).

Table 2. Domestic Seller Reliant on Foreign Import

	Warm Wine Co. Under Current system	Warm Wine Co. With Border Adjustment
Domestic Sales	\$175	\$175
Foreign Sales	\$25	\$25 (not taxable)
Taxable Sales	\$200	\$175
Labor Costs	\$25	\$25
Import Costs	\$100	\$100 (not deductible)
Deductible Costs	\$125	\$25
Taxable Profits (Taxable Sales – Deductible Costs)	\$75	\$150
Tax (20%)	\$15	\$30
Profit after tax (Sales – Costs – Tax)	**\$60**	**\$45**

Recommendations
US and global tax rules are in desperate need of reform. But the policy solutions put forward in President Trump's and the House GOP's existing tax reform proposals do more harm than good. President Trump and Congressional leaders in the House have put forward tax reform plans that offer trillions of dollars of tax cuts to large companies and wealthy individuals. These plans put dramatic pressures on the federal budget forcing draconian cuts on safety-net programs and critical aid that saves lives and improves the quality of living for the poorest and most vulnerable in the world.

In an increasingly globalized economy, where tax havens and secrecy jurisdiction court companies with sweetheart deals and zero taxes, you cannot deliver sustainable, shared prosperity through ruthless global tax competition. Rather than competing to win a race to the bottom, corporate tax reform needs to be built on a new framework of cross-border cooperation, transparency, accountability, and long term sustainability. Fixing the worldwide system will improve America's competitiveness in a way that is compatible with our trade agreements and international norms of corporate taxation.

Congress and the President should scrap their current reform proposals and start over with the following ideas:

1. Close the deferral and inversion loopholes. Language to that effect could be borrowed from the Corporate Tax Dodging Prevention Act already introduced in Congress.
2. Adopt other measures to curb profit shifting to tax havens, such as those included in the Stop Tax Haven Abuse Act, including curbing so-called 'earning stripping'. Improve public tax transparency by requiring all multinational companies to publish country-by-country reports (CBCRs) with separate data for each country in which they operate. The world needs to see a breakdown of their turnover, intra-firm sales, employees, physical assets, profits and current taxes due and taxes paid to reveal the scale of the problem, and to spur urgent action to end corporate tax dodging for good.
3. Cooperate with multilateral bodies and other nations to implement new agreements building on the OECD's measures against Base Erosion and Profit Shifting (BEPS) to crack down on tax dodging by corporations and end the race to the bottom on corporate tax rates. The US should start by implementing the commitments it has already made to the G20.
4. Work together with other nations on a new generation of corporate tax reforms aimed at putting a halt to the race to the bottom in corporate tax. Corporate tax rates need to be set at a level that is fair, progressive and contributes to the collective good.

Corporations should:

Know and show by:
- Publishing their revenues, profits, taxes, assets and number of employees on a country-by-country basis.
- Publicly disclosing all contributions made to policymakers, trade associations, think tanks and other political entities to influence tax policy.

Commit to paying a fair share of tax by:
- Paying taxes where they do business and refrain from using aggressive tax planning practices, like the abuse of offshore tax havens, that that have no other purposes than reducing their tax bills.

Advocate for a fairer, more equitable tax system by:
- Using their influence with public policymaker and their private sector peers to oppose proposed tax reforms that would widen inequality, make the US tax system more tilted toward big business and away from working families, reduce corporate tax revenue in developing countries, weaken international cooperation, and speed up the dangerous "race to the bottom" on corporate tax.

What is responsible corporate tax practice?
Regardless of whether Congress passes tax reform, multinational companies have a responsibility to push for a more equitable and fair tax system. This includes both improving their own tax practices and using their influence in DC and with their peers to call for a more level playing field on tax.

More transparency—on both tax and lobbying—is a necessary first step. Companies should publicly disclose their revenue, profits, taxes paid, number of employees, and public subsidies received for all their operations in every country in which they operate. Until companies are willing to publicly disclose basic information on where they pay their taxes and where their economic activity takes place, it is impossible to verify the accuracy of the claims they make about their tax practices.

Companies must also be more transparent about their efforts to shape tax policy, here in the US and abroad. Companies should not hide behind industry front groups to do their dirty work. They should disclose all money spent on influencing—whether through direct lobbying, or through trade associations, think tanks, or other front groups—and disclose the positions they take.

Doubling down on secrecy and complex artificial tax structures has real costs for companies. Apple is on the hook to pay $14 billion in back taxes in the EU.[120] Facebook faces a $5 billion tax charge in the US. Google may owe Indonesia more than $400 million in back taxes for 2015.[121] McDonald's, Amazon, and Starbucks are under tax scrutiny, as well.

In addition to feeling legal and regulatory heat, companies also face increased reputational risks from journalists and budget watchdogs. This can have major financial implications for companies that spend vast sums on ad agencies and PR firms to boost their public image.

As an example, two recent reports on Pfizer and on Gilead point out that big pharmaceutical companies suck up huge public research subsidies, charge exorbitant prices for their medicines, and spend massive amounts on lobbying—all while doing all they can to dodge their rightful share of taxes.[122] Ultimately Pfizer's extraordinary efforts to avoid additional US taxes by "inverting" were foiled by US Treasury rules aimed at preventing these types of actions.[123] Rather than investing in new products and services that generate revenues, these companies are investing in more aggressive tax arbitrage that deliver questionable value to society.

Recent studies have demonstrated that the companies that spend the most on charity and other efforts to be socially responsible may also be dodging the most in tax.[124] Depriving governments of much-needed revenue not only undercuts the positive impact of their charity—it also damages their carefully cultivated public reputation. Companies that see themselves—and want to be seen by others—as responsible corporate citizens cannot avoid paying their fair share of tax.

It's no surprise that with companies facing 11-figure tax fines and massive reputational damage, investors are growing increasingly concerned about companies' risky tax behavior. Several investor groups have put out guides for how shareholders can engage with companies to be more transparent and better assess the risks associated with aggressive tax planning.[125]

Ultimately, companies must commit to aligning their tax payments with their actual economic activity. Stashing trillions of dollars offshore, artificially shifting profits to tax havens, operating a network of offshore subsidiaries, and employing armies of accountants, lobbyists, and image consultants is not a recipe for long-term financial success.

Companies should be transparent about all their attempts to influence policy, and they should use their influence to support legislation like the Corporate Tax Dodging Prevention

Act that creates a more level tax playing field, rather than fighting to preserve existing loopholes and an unequal status quo.

Oxfam has previously published a comprehensive set of recommendations for responsible corporate tax behavior.[126] That report lays out a detailed series of actions that companies can take to exercise leadership on transparency, tax planning, engaging with tax authorities, governance, tax incentives and lobbying.

"Getting to Good" on Corporate Taxation:

Together with Christian Aid and ActionAid, Oxfam recently published a report that lays out a pathway for corporations to follow to practice responsible corporate tax behavior. The report states:

A tax responsible company:

- Is radically and proactively transparent about its business structure and operations, its tax affairs and tax decision-making;
- Assesses and publicly reports the fiscal, economic and social impacts (positive and negative) of its tax-related decisions and practices in a manner that is accessible and comprehensive;
- Takes steps – progressively, measurably and in dialogue with its stakeholders – to improve the impact of its tax behaviour on sustainable development and on the human rights of employees, customers and citizens in the places where it does business.

Methodology

Oxfam America - working with our research partner the Institute for Taxation and Economic Policy - collected data for each of the 50 companies[127] to measure taxes paid, tax breaks, and lobbying expenditures. All of the information we present in this publication is based on publicly available data, mostly provided by the companies themselves in their 10-K filings with the SEC. This section describes the methodology for each of the nine metrics we present.

Oxfam America reached out to all companies named in this report to share the findings of our research prior to publication. Many of the companies responded to engage with us on our methodology or provide additional information, clarification or context. This report incorporates that feedback.

Amount Paid in Taxes

The amount paid in US taxes is made up of six metrics. Using the companies' annual 10-K reports filed with the SEC, we calculated each company's total profits, federal income tax paid and total tax expense, and cash taxes paid for the years 2009 to 2015. We then used the total profits and total tax expense to calculate the companies' effective tax rate and the tax breaks they got compared to the statutory rate of 35%.

Profits

In the companies' annual 10-K reports, the Income Statement provides a figure for "earnings before income taxes" that represents the company's profits for income tax purposes.[128] We added together "earnings before income taxes" for years 2009 through 2015 subtracting their earnings from non-controlling interest to calculate each company's profits for this period.

Federal Tax Expense

In the 10-K reports, the Income Tax footnote to the financial statements provides the components of the company's income tax or benefit, broken down by current and deferred amounts for federal income tax, state and local income tax and foreign income tax. We used both the current and deferred amounts for federal taxes to remain consistent with the companies' own approach in presenting their tax figures on their Income Statements and calculating their effective tax rates. We calculated the total current and deferred federal income tax provision for each company from 2009 through 2015.

Total Tax Expense

In the 10-K reports, the Income Statement provides a figure for "income tax provision" which represents the company's current and deferred income tax expense or benefit for federal, state and local and foreign taxes. We added together years 2009 through 2015 to calculate each company's total tax provision for this period. We used "income tax provision" from the Income Statement and did not manipulate this figure by excluding deferred taxes to remain consistent with the companies' own approach in presenting their tax figures and calculating their effective tax rates.

Cash Tax Paid

In the 10-K reports, companies report their "Global Cash Taxes Paid" which is the amount of money they actually expended in that year for taxes. We added together years 2009 through 2015 to calculate each company's actual tax payments for this period. As noted in the report, companies paid less in tax than they reported owing.

Global Effective tax rate

To calculate the overall effective tax rate, we divided the total tax expense by total profits from 2009 to 2015 for each company. This method aligns with the company's own effective tax rate calculation in the 10-K reports. When aggregating the tax data for our time period, we calculated the effective tax rate for each company for every year from 2009 to 2015 and verified this calculation against the companies' self-reported rates.

Tax "Breaks"

The “tax breaks” metric represents the amount the companies are underpaying in comparison to the amount they would pay at the full US statutory rate of 35% for corporate income tax. The “tax breaks” were calculated by multiplying a company’s total profits by 35% and subtracting ”tax expense” to determine the difference between the amount of tax paid and the amount of tax that should be paid at the full statutory rate.

Taxes Avoided Offshore

To provide a fuller picture of these companies’ tax avoidance activities, we also sought to assess the companies’ efforts to avoid taxes by holding money offshore. We then assessed how much they would benefit from Trump and House GOP plans to lower the tax rate for repatriating these funds.

Money Held Offshore

In the 10-K reports, companies often disclose the amount of earnings held offshore in the Income Tax footnote to the financial statements.[129] The total is generally labeled as earnings “permanently reinvested” in certain foreign subsidiaries. Although these earnings are not always held as cash or cash reserves and may actually be re-invested in the foreign subsidiaries at times, they are still earnings by US companies that are allowed to escape US taxation. Because most of the companies’ 2016 10-K reports had not yet been released at the time of this research, we used the companies’ 2015 10-K reports for consistency.

Benefits from Trump and House GOP Repatriation Plan

We focus solely on the benefits to companies that would accrue from tax breaks on their offshore earnings. We calculate the benefit by applying the difference between the rate companies disclose that they would owe if they repatriated their offshore earnings under current law to the rate in the Trump/House GOP proposals. President Trump has proposed a 10% repatriation rate and the House GOP plan offers a 8.75% repatriation rate for profits held in cash, and 3.5% for profits not held in cash. For the House GOP plan we estimate benefits as if all profits are held in cash because data is not available to disaggregate the two. Not all of the 50 companies disclose how much tax they would owe if they repatriated their profits under current law—they take advantage of a SEC rule that allows them to say it would be impractical to do so. For companies that do not disclose this information, we use the average rate of the companies that do disclose, which is 26.6%. The benefits we present, therefore, are estimates—the actual amount companies would save will depend on the details of any legislation passed as applied to companies’ specific financial holdings.

The calculation we use is as follows:
Earnings held offshore x (Repatriation tax rate under current law – proposed repatriation tax rate under Trump/House GOP plans) = Estimated Benefits

Tax Haven Subsidiaries

To determine the number of subsidiaries, our research team used Exhibit 21 of corporations’ 2015 10-K reports to determine how many subsidiaries were disclosed by the companies and where they were located. We classified 50 jurisdictions as tax havens using three sources with consistent definitions of tax havens: “the Organization for Economic Co-operation and Development (OECD), the National Bureau of Economic Research, and a US District Court order.”[130]

The Exhibit 21 subsidiary disclosures only include “significant subsidiaries.” This standard only requires companies to disclose subsidiaries where either 1) the investment in the subsidiary constitutes more the 10% of the corporation’s total consolidated assets or 2) the income from the subsidiary exceeds 10% of the corporation’s total consolidated income.[131]

A tax haven subsidiary does not always constitute a shell company established solely for tax and secrecy purposes, and many companies justify the location of subsidiaries in tax havens by demonstrating that they have active businesses in these jurisdictions. However, it is clear that, as a group, US multinationals use the networks of offshore subsidiaries to utilize the lenient regulations and added secrecy of the offshore jurisdictions and the loose US standards for “locating” a subsidiary in a jurisdiction. They are able to report higher earnings in their offshore subsidiaries to take advantage of the low or zero tax rate while avoiding taxes elsewhere.[132]

Lobbying

To determine the lobbying expenditures of the target companies, we used the Center for Responsive Politics' website Opensecrets.org. This resource calculates the total lobby expenditure for a company and its affiliates using lobbying data released by the Senate Office of Public Records. For each company, we added together their total lobbying expenditure for the seven years from 2009 to 2015.

Lobbying on Tax

To determine the amount of money companies spend lobbying on tax we use the number of issues companies report lobbying as indicated by the reports they file to the US Senate, available on Opensecrets.org. We calculate the percentage of those issues that are related to tax. We apply this percentage to the total lobbying expenditure to create an estimate of the amount of money being spent specifically lobbying on tax. This is a necessarily rough estimate because companies do not disclose their lobbying expenses issue by issue—the actual amount companies spend lobbying on tax may be either higher or lower than our estimate, but without additional reporting we cannot know for certain.

Companies may file multiple reports for each issue they work on, so the total number of issues companies lobby on may seem inflated (i.e., companies file several reports naming the same issue). However, this should not influence the percentage attributable to tax or any other issue because all issues will be similarly affected by the frequency of report filings.

Annex 1 - Tax Lobby Coalition Memberships:

Corporation Name	Coalitions	Total Coalition Membership
Allergan		0
Alphabet (Google)	Alliance for Competitive Taxation; Win America Campaign (Disbanded 2012)	2
American Express		0
American International Group (AIG)	Business Roundtable	1
Amgen	R&D Credit Coalition	1
Apple	R&D Credit Coalition; Win America Campaign (Disbanded 2012); Retail Industry Leaders Association	3
AT&T	RATE Coalition; Business Roundtable	2
Bank of America	Alliance for Competitive Taxation; Business Roundtable	2
Berkshire Hathaway		0
Boeing	Business Roundtable; American Made Coalition	2
Capital One Financial	Capital One Financial	1
Chevron	Business Roundtable	1
Cisco Systems	Alliance for Competitive Taxation; LIFT America Coalition; Win America Campaign (Disbanded 2012); Business Roundtable	4
Citigroup	Business Roundtable	1
Coca-Cola	Alliance for Competitive Taxation; LIFT America Coalition	2
Comcast	Business Roundtable	1
CVS Health	RATE Coalition; Retail Industry Leaders Association	2
Dow Chemical	Alliance for Competitive Taxation; R&D Credit Coalition; Business Roundtable; American Made Coalition	4
Exxon Mobil	R&D Credit Coalition	1
Ford Motor	RATE Coalition	1
General Electric	Alliance for Competitive Taxation; American Made Coalition	2
General Motors		0
Gilead Sciences		0
Goldman Sachs		0

Home Depot	RATE Coalition; Retail Industry Leaders Association	2
Honeywell International	Alliance for Competitive Taxation; LIFT America Coalition; R&D Credit Coalition; Business Roundtable; American Made Coalition	5
IBM	Business Roundtable	1
Intel	LIFT America Coalition; RATE Coalition; R&D Credit Coalition;	3
Johnson & Johnson	Alliance for Competitive Taxation; LIFT America Coalition; R&D Credit Coalition; Business Roundtable; American Made Coalition	5
JPMorgan Chase	Business Roundtable	1
Medtronic	Business Roundtable	1
Merck	Tax Innovation Equality; American Made Coalition	2
MetLife	Business Roundtable	1
Microsoft	R&D Credit Coalition; Win America Campaign (Disbanded 2012); Tax Innovation Equality	3
Mondelēz International		0
Morgan Stanley	Alliance for Competitive Taxation; Business Roundtable	2
Oracle	Alliance for Competitive Taxation; R&D Credit Coalition; Win America Campaign (Disbanded 2012); Business Roundtable; American Made Coalition	5
PepsiCo	Alliance for Competitive Taxation; Business Roundtable	2
Pfizer	Alliance for Competitive Taxation; LIFT America Coalition; Win America Campaign (Disbanded 2012); Business Roundtable; American Made Coalition	5
Phillips 66	Business Roundtable	1
Proctor & Gamble	Alliance for Competitive Taxation; LIFT America Coalition; Business Roundtable	3
Prudential Financial	Alliance for Competitive Taxation; Business Roundtable	2
United Technologies	Alliance for Competitive Taxation; LIFT America Coalition; R&D Credit Coalition; Business Roundtable; American Made Coalition	5
UnitedHealth Group		0
US Bancorp		0
Verizon Communications	Alliance for Competitive Taxation; RATE Coalition; Business Roundtable	3

Walgreens Boots Alliance	Business Roundtable; Americans for Affordable Products	2
Wal-Mart Stores	Alliance for Competitive Taxation; LIFT America Coalition; RATE Coalition; Business Roundtable; Americans for Affordable Products; Retail Industry Leaders Association	6
Walt Disney	RATE Coalition	1
Wells Fargo	Business Roundtable	1

Annex 2-

An interactive version of this table is available at: https://action.oxfamamerica.org/riggedreform/data

Company Name	Profits	Total Tax Expense	Cash Tax Paid	Federal Tax Expense	Global Effective Tax Rate	Tax "breaks"	Money Held Offshore	Number of Subsidiaries in Tax Havens	Total Lobbying Spending	Tax Related Lobbying Spending
Allergan	-$6,856.5 M	-$1,723.2 M	$2,367.3 M	$55.5 M	-	-	$2,088 M	111	$17 M	$1 M
Alphabet (Google)	$98,781.1 M	$19,338. M	$15,665 M	$13,984 M	19.6%	$15,235.4 M	$58,300 M	1	$86 M	$2.6 M
American Express	$47,029. M	$15,047. M	$11,700 M	$10,922 M	32.0%	$1,413.2 M	$9,900 M	16	$17 M	$2.7 M
American International Group (AIG)	$29,346. M	-$10,722. M	$4,435 M	-$14,176.2 M	-36.5%	$20,993.1 M	$1,800 M	19 [1]	$4 M	$0.7 M
Amgen	$38,508. M	$4,070. M	$4,447 M	$2,275 M	10.6%	$9,407.8 M	$32,600 M	9	$70 M	$10.2 M
Apple	$296,727. M	$76,883. M	$49,120 M	$64,122 M	25.9%	$26,971.5 M	$200,100 M	3	$19 M	$3.1 M
AT&T	$110,929. M	$30,313. M	$13,867 M	$26,662 M	27.3%	$8,512 M	undisclosed	1	$114 M	$17.3 M
Bank of America	$50,672. M	$9,078. M	$4,425 M [2]	-$2,477 M	17.9%	$8,657.2 M	$18,000 M [3]	22 [4]	$22 M	$3.2 M
Berkshire Hathaway	$157,586. M	$48,055. M	$27,109 M	$40,403 M	30.5%	$7,100.1 M	$10,400 M	9	$60 M	$7 M
Boeing	$38,065. M	$10,297. M	$2,683 M	$9,182 M	27.1%	$3,025.8 M	$700 M	2	$121 M	$6.3 M

[1] AIG responded: "While we are operating in the countries listed, most, if not all, of the income earned in these jurisdictions is subject to current U.S. taxation."

[2] Bank of America responded: "The period included in your analysis reflects the low point for the financial crisis and is not indicative of a normal environment. More recently, our tax payments have been reduced by net operating losses that arose during the financial crisis and tax credits we generated in those years but could not use, as well as other items. All things being equal, there should be less of a difference between cash tax and book tax expense going forward than there has been in the past."

[3] Bank of America responded: "Virtually all of those earnings have been deployed in active businesses in the UK, Europe, and Asia – not in the Cayman Islands or 'offshore tax havens.' These earnings represent the regulatory capital of our foreign businesses so we could not bring those funds back without exiting or drastically downsizing those businesses, which would impact our ability to serve our clients."

[4] Bank of America responded: "While we do have business units in the Cayman Islands, all income that is earned by any Bank of America entities in the Cayman Islands is subject to current U.S. taxation."

Company Name	Profits	Total Tax Expense	Cash Tax Paid	Federal Tax Expense	Global Effective Tax Rate	Tax "breaks"	Money Held Offshore	Number of Subsidiaries in Tax Havens	Total Lobbying Spending	Tax Related Lobbying Spending
Capital One Financial	$34,465. M	$10,677. M	$8,397 M	$8,837.5 M	31.0%	$1,385.8 M	$1,500 M	0	$13 M	$3.9 M
Chevron	$215,670. M	$87,838. M	$82,099 M	$8,614 M	40.7%	-	$45,400 M	8	$79 M	$11.7 M
Cisco Systems	$67,235. M	$11,986. M	$13,153 M	$8,232 M	17.8%	$11,546.3 M	$58,000 M	56	$17 M	$2.9 M
Citigroup	$86,009. M	$19,905. M	$24,728 M	-$7,201 M	23.1%	$10,198.2 M	$45,200 M	21	$38 M	$9.5 M
Coca-Cola	$76,483. M	$17,236. M	$12,338 M	$7,234 M	22.5%	$9,533.1 M	$31,900 M	15	$50 M	$10.9 M
Comcast	$64,515. M	$23,520. M	$18,974 M	$19,613 M	36.5%	-	undisclosed	2	$111 M	$17.6 M
CVS Health	$47,382. M	$18,420. M	$18,667 M	$15,542 M	38.9%	-	undisclosed	0	$80 M	$7.4 M
Dow Chemical	$30,343. M	$7,327. M	$8,017 M	$1,422 M	24.1%	$3,293.1 M	$18,773 M	85	$70 M	$5.7 M
Exxon Mobil	$363,399. M	$146,469. M	$136,391 M	$9,244 M	40.3% [5]	-	$51,000 M [6]	35 [7]	$104 M	$15.5 M
Ford Motor	$51,930. M	-$3,726. M	$1,511 M	-$6,470 M	-7.2%	$21,901.5 M	$5,500 M	4	$41 M	$4.1 M
General Electric	$84,832. M	$16,645. M	$19,290 M	-$2,005 M	19.6%	$13,046.2 M	$104,000 M	20	$168 M	$22.2 M

[5] To calculate its effective tax rate, ExxonMobil uses income before tax including pre-tax equity company earnings (item C) instead of "income before income tax" from their Income Statement. ExxonMobil also includes its share of equity company taxes to calculate its effective tax rate instead of using "income tax provision" from its Income Statement. We did not alter our methodology for Exxon in order to remain consistent with our approach to the other 49 companies by taking the "income before income tax" and "income tax" figures directly from Exxon's Income Statement without any manipulation.

[6] ExxonMobil responded: "This number corresponds to indefinitely reinvested undistributed earnings from subsidiaries outside the U.S. as of year-end 2015, which primarily relate to historic earnings from non-U.S. subsidiaries that have been retained by those businesses to fund historic and future capital expenditures."

[7] ExxonMobil responded: "ExxonMobil operates in dozens of countries all over the world. The corporate governance rules in these countries vary considerably. Where permissible, it is often prudent to incorporate an affiliate in a different country with stable and secure corporate governance rules (including countries that some refer to as 'tax havens'). However, the affiliate pays taxes on any profits earned in a country where it operates to the government in that country, not in the country of incorporation."

Company Name	Profits	Total Tax Expense	Cash Tax Paid	Federal Tax Expense	Global Effective Tax Rate	Tax "breaks"	Money Held Offshore	Number of Subsidiaries in Tax Havens	Total Lobbying Spending	Tax Related Lobbying Spending
General Motors	$109,376. M	-$35,977. M	$2,899 M	-$28,850 M [8]	-32.9%	$74,259 M	$6,900 M	17 [9]	$63 M	$12.1 M
Gilead Sciences	$55,517.8 M	$11,301.1 M	$9,846 M	$10,205.3 M	20.4%	$8,130.1 M	$28,500 M	12	$14 M	$0 M
Goldman Sachs Group	$82,969. M	$26,713. M	$22,690 M	$16,053 M	32.2%	$2,326.2 M	$28,550 M	17	$26 M	$5.1 M
Home Depot	$52,008. M	$18,893. M	$18,623 M	$15,283 M	36.3%	-	$3,500 M	0	$8 M	$1.2 M
Honeywell International	$28,391. M	$7,240. M	$5,543 M	$3,976 M	25.5%	$2,696.9 M	$16,600 M	4	$44 M	$4.1 M
IBM	$137,578. M	$30,470. M	$24,571 M	$8,185 M	22.1%	$17,682.3 M	$68,100 M	16	$37 M	$2.9 M
Intel	$97,027. M	$24,503. M	$23,790 M	$19,645 M	25.3%	$9,456.5 M	$26,900 M	13	$32 M	$1.6 M
Johnson & Johnson	$114,407. M	$22,719. M	$19,838 M	$11,854.4 M	19.9%	$17,323.5 M	$58,000 M	62	$43 M	$6.5 M
JPMorgan Chase	$184,668. M	$51,313. M	$39,701 M	$31,855 M	27.8%	$13,320.8 M	$34,600 M	4	$45 M	$4.2 M
Medtronic	$27,531. M	$5,233. M	$4,920 M	$2,417.6 M	19.0%	$4,402.9 M	$29,000 M	105	$32 M	$6.5 M
Merck	$60,606. M	$13,640. M	$19,758 M	$11,325 M	22.5%	$7,572.1 M	$59,200 M	125	$50 M [10]	$8.1 M

[8] General Motors filed for bankruptcy in June 2009 and was reorganized as a new entity with GM's continuing operations, assets, and trademarks in July 2009. General Motor's 2009 earnings, as reported on its financial statements, include $128 billion in debt cancellation income ("Reorganization Gains") that arose from the bankruptcy. General Motors has characterized this income as "accounting-only, non-economic" and believes that "including it in profits would distort any tax ratio such as effective tax rate." While recognizing these unique circumstances, we decided to maintain our methodology to remain consistent with our approach to the other 49 companies.

[9] GM responded: "GM does not have, nor use tax havens to reduce or avoid taxes. We do sell cars, parts, and auto financing in countries such as Caymans, Ireland, Switzerland, Luxembourg and the Netherlands, and we conduct those sales through GM-owned companies in those countries."

[10] In 2009, the parent company Merck & Co. spent $6.41 million and its subsidiary Schering-Plough Corp. spent $1.81 million. Merck responded that the $1.81 million spend by Schering-Plough Corp. should not be included in its lobbying total. However, in order to keep the methodology consistent with the other 49 companies, we have chosen to include all subsidiary spending in the total lobbying expenditures.

Company Name	Profits	Total Tax Expense	Cash Tax Paid	Federal Tax Expense	Global Effective Tax Rate	Tax "breaks"	Money Held Offshore	Number of Subsidiaries in Tax Havens	Total Lobbying Spending	Tax Related Lobbying Spending
MetLife	$30,262. M	$7,280. M	$3,856 M	$2,895 M	24.1%	$3,311.7 M [11]	$4,900 M [12]	31 [13]	$42 M	$5.7 M
Microsoft	$168,481. M	$36,665. M	$30,600 M	$21,775 M	21.8%	$22,303.4 M	$124,000 M	5	$56 M	$11.3 M
Mondelēz International	$21,016. M	$2,480. M	$7,989 M	$242 M	11.8%	$4,875.6 M	$19,200 M	78	$3 M	$1 M
Morgan Stanley	$27,403. M	$4,711. M	$5,892 M	-$716 M	17.2%	$4,880.1 M	$10,209 M	188	$23 M	$8 M
Oracle	$84,485. M	$19,112. M	$19,021 M	$10,452 M	22.6%	$10,457.8 M	$42,600 M	5	$46 M	$6.3 M
PepsiCo	$58,292. M	$14,700. M	$13,782 M	$8,575 M	25.2%	$5,702.2 M	$40,200 M	135	$35 M	$5.3 M
Pfizer	$79,553. M	$18,556. M	$26,800 M	$4,941 M	23.3%	$9,287.6 M	$193,587 M	181	$89 M	$14.4 M
Phillips 66 [14]	$32,471. M	$10,504. M	$7,577 M	$6,497 M	32.3%	$860.9 M	$2,800 M	15 [15]	$13 M	$1.8 M
Procter & Gamble	$93,638. M	$22,838. M	$26,903 M	$13,590 M	24.4%	$9,935.3 M	$49,000 M	35	$32 M	$5.7 M

[11] Metlife responded: "A portion of our U.S. tax liability is offset by tax credits. These tax credits are used exactly as Congress intended: to expand the supply of affordable housing ($2 billion) and to develop renewal energy projects ($3 billion) that mitigate climate change."

[12] Metlife responded: "This number includes amounts derived from a wide variety of tangible and intangible assets that must be reported for accounting reasons. Local regulators also require that a large portion of earnings be retained locally as a capital buffer to meet obligations to our customers."

[13] Metlife responded: "MetLife does not shift income to tax havens. MetLife has hundreds of active businesses across more than 45 countries. The only entities that have operations or investments in 'tax havens' are structured so that their income is included

[14] Financial information for Phillips 66 is aggregated from 2010 to 2015, not 2009 to 2015, because Phillips 66 was not spun-off from ConocoPhillips until 2012. In its first 10-K filing in 2012, Phillips 66 included its financial information from 2010 and 2011 when it was operating as a subsidiary of ConocoPhillips. Lobbying expenditures are aggregated from 2012 to 2015.

[15] Phillips 66 responded: "For the period presented, we operated refining assets in Ireland and marketing locations in Switzerland that provided products to local markets. Singapore is a major trading center for petroleum, and we continue to have operations there that support our worldwide Refining and Marketing businesses."

Company Name	Profits	Total Tax Expense	Cash Tax Paid	Federal Tax Expense	Global Effective Tax Rate	Tax "breaks"	Money Held Offshore	Number of Subsidiaries in Tax Havens	Total Lobbying Spending	Tax Related Lobbying Spending
Prudential Financial	$20,822. M	$4,272. M	$4,565 M [16]	$2,832 M	20.5%	$3,015.7 M	$3,215 M	51	$57 M	$14.6 M
United Technologies	$46,524. M	$13,505. M	$12,695 M	$5,561 M	29.0%	$2,778.4 M	$29,000 M	31	$96 M	$13. M
UnitedHealth Group	$58,471. M	$22,290. M	$21,388 M	$20,943 M	38.1%	-	$459 M	19	$22 M	$2.1 M
US Bancorp	$45,230. M	$11,623. M	$5,034 M	$9,823 M	25.7%	$4,207.5 M	undisclosed	11	$9 M	$1.9 M
Verizon Communications	$72,643. M	$22,920. M	$11,509 M	$19,700 M	31.6%	$2,505.1 M	$1,800 M	0	$103 M	$21. M [17]
Wal-Mart Stores	$162,386. M	$53,265. M	$52,497 M	$39,414 M	32.8%	$3,570.1 M	$26,100 M [18]	71	$48 M	$9.4 M [19]
Walgreens Boots Alliance	$26,988. M	$9,350. M	$8,163 M	$8,305 M	34.6%	$95.8 M	undisclosed	72	$16 M	$1.1 M
Walt Disney	$62,255. M	$22,477. M	$19,160 M	$17,837 M	36.1%	-	$2,700 M	4	$28 M	$3.4 M
Wells Fargo	$186,526. M	$59,294. M	$46,756 M	$51,943 M	31.8%	$5,990.1 M	$2,000 M [17]	5	$42 M	$8.3 M
Total	**$4,210,574.4 M**	**$1,088,822.9 M**	**$995,749 M**	**$560,573.2 M**	**25.9%**	**$423,166.7 M**	**$1,606,780.1 M**	**1751**	**$2,458 M**	**$352.1 M**

[16] Prudential responded: "In Prudential's case, there were very significant deductions, losses, and credits that predated the periods being compared that were properly claimed in the years being reported, reducing cash tax payments in the US and abroad."

[17] Verizon responded: "Not all tax issues were those that primarily benefitted the company. For example, Verizon lobbied for the Internet tax moratorium, which was made permanent about a year ago."

[18] Walmart responded: "The Company intends to permanently reinvest these amounts in our international markets. Walmart operates more than 6,300 stores in 27 countries outside the U.S."

[19] Walmart responded: "Over the last six years, much of Walmart's tax lobbying has centered on online retail sales tax collection as we look to level the playing field between online only and brick and mortar retailers. We've also engaged the federal government on several other tax issues unrelated to corporate income tax, such as payroll taxes, tax extenders, and other tax matters impacting our customers, like the timing of tax refunds and the Earned Income Tax Credit."

[1] Oxfam (January 2017): An economy for the 99 percenthttps://www.oxfamamerica.org/explore/research-publications/an-economy-for-the-99-percent/
[2] June 22, 2016- Donald Trump NYC speech on stakes of the election http://www.politico.com/story/2016/06/transcript-trump-speech-on-the-stakes-of-the-election-224654
[3] https://twitter.com/realDonaldTrump/status/782541307168391168?ref_src=twsrc%5Etfw
[4] 50 largest US companies according to Forbes 2000 annual ranking http://www.forbes.com/global2000/list
[5] Tax dodging exists in a legal grey zone given complex tax laws that are filled with loopholes, exemptions and special interest carveouts that can be exploited by corporations and their advisers. Enforcement of the existing laws is a major challenge given the capacity constraints faced by tax authorities in the US and, even more significantly, in developing countries. "Tax evasion" is illegal behavior. Some companies have faced stiff penalties for breaking the law. This report focuses primarily on "tax avoidance" which is not necessarily illegal. More here: Definition of Tax Avoidance, Tax avoidance in the News, Financial Times, http://lexicon.ft.com/Term?term=taxavoidance.
[6] Kimberly A. Clausing, PROFIT SHIFTING AND U.S. CORPORATE TAX POLICY REFORM (May 2016), http://equitablegrowth.org/report/profit-shifting-and-u-s-corporate-tax-policy-reform/
[7] United Nations Conference on Trade and Development (UNCTAD), World Investment Report 2015 (2015), http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf.; E. Crivelli, R. De Mooij and M. Keen, Base Erosion, Profit Shifting and Developing Countries, International Monetary Fund (IMF),WP/15/118 (2015), https://www.imf.org/external/pubs/ft/wp/2015/wp15118.pdf.
[8] Broken at the top: How America's dysfunctional tax system costs billions in corporate tax dodging, Oxfam (April 2016): https://www.oxfamamerica.org/explore/research-publications/broken-at-the-top/
[9] This is an extremely generous estimate of company tax payments taken directly from corporate disclosures. It incorporates "deferred tax liabilities" which are not actually paid in the year they are estimated. It is an intentionally conservative assessment to give maximum benefit of the doubt to companies. Other methodologies have shown that the true effective tax rates for large companies may be substantially lower. A 2017 study by Citizens for Tax Justice examined five years of data and found that Fortune 500 companies paid an average federal effective corporate income tax rate of just 21.2%, nearly 14 points off the 35 percent statutory rate. Robert S. McIntyre, Matthew Gardner, Richard Phillips, The 35 Percent Corporate Tax Myth, Institute on Taxation and Economic Policy (March 2017) http://itep.org/itep_reports/2017/03/the-35-percent-corporate-tax-myth.php#.WNk5rlUrJQI
[10] In 2014-2015 when the dollar appreciated by 20%, developing countries lost $61 billion. Jubilee Debt Campaign (11 April, 2016) "Collapse in commodity prices leads to $61 billion funding gap for impoverished countries". http://jubileedebt.org.uk/press-release/collapse-in-commodity-prices-leads-to-61-billion-funding-gap-for-impoverished-countries
The US's poverty-focused foreign assistance budget for FY2014 ($23.4 billion). 7 things you may not know about US foreign assistance, Oxfam, (April 2014) https://politicsofpoverty.oxfamamerica.org/2014/04/7-things-didnt-know-about-us-foreign-assistance/
[11] Deep and Dangerous Cuts to International Affairs Budget Would Make America Less Safe . USGLC (March 2017): http://www.usglc.org/2017/03/30/deep-and-dangerous-cuts-to-international-affairs-budget-would-make-america-less-safe/
[12] Oxfam Alarmed at Reckless Presidential Budget Outline (March 2017) https://www.oxfamamerica.org/press/oxfam-alarmed-at-reckless-presidential-budget-outline/
[13] If you're a poor person in America, Trump's budget is not for you, Washington Post, https://www.washingtonpost.com/news/wonk/wp/2017/03/16/if-youre-a-poor-person-in-america-trumps-budget-is-not-for-you/?utm_term=.ccf7a96d8510
[14] Ibid
[15] 10 Ways President Trump's Agenda Will Harm His Supporters in Rural and Small-Town America Center for American Progress, March 2016; https://www.americanprogress.org/issues/poverty/news/2017/03/16/428315/10-ways-president-trumps-agenda-will-harm-supporters-rural-small-town-america/
[16] The Corporate Tax Dodging Prevention Act proposes an end to the rule allowing American corporations to endlessly defer paying federal income tax on profits of their offshore subsidiaries; Both acts include concrete proposals to prevent American corporations from avoiding US taxes by inverting; and to tackle profit shifting through inappropriate use of intra-group loans. The Stop Tax Haven Abuse act would strengthen rules against profit shifting to tax havens. In addition, it emphasizes the importance of country-by-country reporting by corporations.
[17] Oxfam (12 December, 2016) "Tax Battles: The dangerous global Race to the Bottom on Corporate Tax", Oxfam Policy Paper. https://www.oxfam.org/en/research/tax-battles-dangerous-global-race-bottom-corporate-tax
[18] Clausing, Kimberly A., The Effect of Profit Shifting on the Corporate Tax Base in the United States and Beyond (Jan. 11, 2016), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2685442.
[19] As corporate income tax receipts have declined as a share of federal government revenue, payroll taxes, which require low- and moderate-income taxpayers to pay more of their incomes than high-income people, on average, have played a larger role in funding federal programs.Center on Budget and Policy Priorities, Policy Basics: Federal Payroll Taxes (March 23, 2016), http://www.cbpp.org/research/federal-tax/policy-basics-federal-payroll-taxes.
[20] Office of Management and Budget (OMB), Historical Tables, "Table 2.2: Percentage Composition of Receipts by Source". https://obamawhitehouse.archives.gov/omb/budget/Historicals
[21] 1952 Corporate Profits= $37.7 Billion, Federal Corporate Tax Receipts = $21.2 Billion
2015 Corporate Profits= $1813.6 Billion, Federal Corporate Tax Receipts = $343.8 Billion

Corporate Profits After Tax: https://fred.stlouisfed.org/series/A446RC1Q027SBEA
US Federal receipts by source:
https://obamawhitehouse.archives.gov/sites/default/files/omb/budget/fy2017/assets/hist02z1.xls

[22]Center on Budget and Policy Priorities, Policy Basics: Federal Payroll Taxes (March 23, 2016), http://www.cbpp.org/research/federal-tax/policy-basics-federal-payroll-taxes.

[23] Leonard E. Burman, Taxes and Inequality (March 20, 2014), http://www.taxpolicycenter.org/publications/taxes-and-inequality/full.

[24] Corporate Profits After Tax: https://fred.stlouisfed.org/series/A446RC1Q027SBEA
US Federal receipts by source:
https://obamawhitehouse.archives.gov/sites/default/files/omb/budget/fy2017/assets/hist02z1.xls

[25] United Nations Conference on Trade and Development (UNCTAD), World Investment Report 2015 (2015), http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf; IMF E. Crivelli, R. De Mooij and M. Keen, Base Erosion, Profit Shifting and Developing Countries, International Monetary Fund (IMF), WP/15/118 (2015), https://www.imf.org/external/pubs/ft/wp/2015/wp15118.pdf.

[26] Carlo Cottarelli, Revenue Mobilization in Developing Countriesh. International Monetary Fund (March 8, 2011) ttps://www.imf.org/external/np/pp/eng/2011/030811.pdf

[27] This is in the long run, where the revenue loss for OECD countries is approximately 1 percent of GDP, while it is 1.30 percent for developing countries. As a percentage of total tax revenue, the difference is likely to be much bigger, since the average total tax revenue in OECD countries is about 35 percent of GDP, while it stands at about 15 percent in developing countries. See: E. Crivelli, R. De Mooij and M. Keen, Base Erosion, Profit Shifting and Developing Countries, International Monetary Fund (IMF), WP/15/118 (2015), https://www.imf.org/external/pubs/ft/wp/2015/wp15118.pdf.

[28] Global Partnership for Education (2014) “Results for Learning Report 2014/15: Basic Education at Risk”. http://www.globalpartnership.org/content/results-learning-report-2014-15
World Health Organization (September 2014) “WHO Global Health Expenditure Atlas”. http://www.who.int/health-accounts/atlas2014.pdf .

[29] Least Developed Countries’ combined education spending is $24.5 billion. Government expenditure on education as % of GDP, The World Bank, http://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS.

[30] There are 2.2 billion people who lack basic water, 3.4 billion who lack basic sanitation and 4.8 billion people who lack hand washing tools. The World Bank estimates that extending basic service for drinking water, sanitation, and hygiene (WASH) to all of the unserved will cost $13.8 to $46.7 billion per year. Guy Hutton & Mili Varughese, The Costs of Meeting the 2030 Sustainable Development Goal Targets on Drinking Water, Sanitation, and Hygiene, 2 (Jan. 2016), http://reliefweb.int/sites/reliefweb.int/files/resources/The0costs0of0m0ene000summary0report.pdf.
WHO estimates it costs US$ 44 of minimum spending per person per year needed to provide basic, life-saving services. $100 billion / $44 = 2.2 billion. World Health Organisation, Spending on health: A global overview, Fact sheet N°319 (April 2012), http://www.who.int/mediacentre/factsheets/fs319/en/.

[31] As discussed below, supra p. 6, this figure does not capture the full amount of subsidiaries held by these companies in offshore tax havens. The SEC only requires that companies disclose “significant subsidiaries” in their annual 10-K reports.

[32] The tax total includes income tax paid to state and local governments and foreign governments.

[33] This is an extremely generous estimate of company tax payments taken directly from corporate disclosures. It incorporates “deferred tax liabilities” which are not actually paid in the year they are estimated. It is an intentionally conservative assessment to give maximum benefit of the doubt to companies. Other methodologies have shown that the true effective tax rates for large companies may be substantially lower. A 2014 study by Citizens for Tax Justice examined five years of data and found that Fortune 500 companies paid an average federal effective corporate income tax rate of just 19.4 percent, just over half of the statutory 35% rate.
Robert S. McIntyre, Matthew Gardner, Richard Phillips, The Sorry State of Corporate Taxes, Citizens for Tax Justice, Institute on Taxation and Economic Policy (February 2014)
http://www.ctj.org/corporatetaxdodgers/sorrystateofcorptaxes.pdf

[34] These “tax breaks” represent the difference between the taxes that the 50 companies effectively pay and what they would pay if they were taxed at the full 35% statutory rate. This difference includes some tax breaks intended by Congress like accelerated amortization of investment, but also the result of offshore tax avoidance.

[35] In 2008, the average effective corporate tax rate of OECD countries (weighted by GDP and excluding the USA) was 27.7%. Jane G. Gravelle, International Corporate Tax Rate Comparisons and Policy Implications, Congressional Research Service (Jan. 6, 2014), https://www.fas.org/sgp/crs/misc/R41743.pdf.

[36] Robert S. McIntyre, Matthew Gardner, Richard Phillips, The 35 Percent Corporate Tax Myth, Institute on Taxation and Economic Policy (March 2017) http://itep.org/itep_reports/2017/03/the-35-percent-corporate-tax-myth.php#.WNk5rlUrJQI

[37]In their financial disclosures to the SEC companies report both their “global tax expense”, which is the estimate of what they owe globally in tax and their “global cash taxes paid”, or what they actually spend in that year on taxes. The numbers are often different for a variety of reasons including that companies defer payment on certain taxes. In theory over time the numbers should be the same, but over the period from 2009-2015 the “tax expense” for the top 50 exceeded the “cash taxes paid” by $93 billion.

[38] America First: A Budget Blueprint to Make America Great Again
https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf

[39]7 things you may not know about US foreign assistance, Oxfam, (April 2014)
https://politicsofpoverty.oxfamamerica.org/2014/04/7-things-didnt-know-about-us-foreign-assistance/

While a 31% cut would not necessarily hit all accounts equally and details on specific funding levels have not been fully released, assuming all poverty focused foreign assistance is slashed by 31% would result in a $7.3 billion cut.

[40] USAID funding for safe drinking water, sanitation, and hygiene (WASH) average historical cost per beneficiary (2008-2011) of $54 https://www.usaid.gov/sites/default/files/documents/1865/USAID_Water_Strategy_3.pdf

[41] Facts About Water & Sanitation http://water.org/water-crisis/water-sanitation-facts/

[42] Title II average cost per beneficiary of $37 (https://www.usaid.gov/sites/default/files/documents/1869/FoodAidReform-BehindtheNumbers.pdf

[43] Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture http://www.un.org/sustainabledevelopment/hunger/

[44]Oxfam Alarmed at Reckless Presidential Budget Outline https://www.oxfamamerica.org/press/oxfam-alarmed-at-reckless-presidential-budget-outline/

[45] https://fts.unocha.org/appeals/overview/2016

[46] Ibid

[47] The "tax break" metric represents the amount the companies are underpaying in comparison to the amount they would pay at the full U.S. statutory rate of 35% for corporate income tax. The "tax break" was calculated by multiplying a company's total profits by 35% and subtracting the amount of tax they say they owe (Global Tax Expense) to determine the difference between the amount of tax paid and the amount of tax that should be paid at the full statutory rate. This difference includes some tax breaks intended by Congress like accelerated amortization of investment, but also the result of offshore tax avoidance.

[48] Total tax breaks divided by seven to get yearly average then divided by the poverty-focused foreign assistance budget for FY2014 ($23.4 billion). 7 things you may not know about US foreign assistance, Oxfam, (April 2014) https://politicsofpoverty.oxfamamerica.org/2014/04/7-things-didnt-know-about-us-foreign-assistance/

[49] Least Developed Countries' combined annual education spending is approximately $24.5 billion. Government expenditure on education as % of GDP, World Bank, http://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS (last accessed Feb. 26, 2016).

[50] 17 CFR § 210.1-02(w).

[51] It isn't possible to know based on current disclosures what the real number of undisclosed subsidiaries is. The 7 banks in our study on average disclose 89 more subsidiaries in tax havens to the Federal Reserve than they disclose to the SEC. The top 50 companies disclosed 1751 subsidiaries in tax havens to the SEC. 89 x 50 = 4450 + 1751 = 6201

[52] https://twitter.com/realdonaldtrump/status/788402585816276992?lang=en

[53] https://www.whitehouse.gov/inaugural-address

[54] Brady doesn't 'anticipate' carve out for financial transactions in tax reform https://www.politicopro.com/tax/whiteboard/2017/02/brady-doesnt-anticipate-carve-out-for-financial-transactions-in-tax-reform-083380

[55] http://www.vox.com/policy-and-politics/2017/1/31/14453740/trump-medicare-prescription-drugs

[56] Top Industries by lobbying spending 1998-2016 https://www.opensecrets.org/lobby/top.php?indexType=i

[57] https://www.bloomberg.com/politics/articles/2017-02-22/trump-meets-with-corporate-ceos-thursday-on-economic-policies

[58] https://www.usnews.com/news/articles/2017-02-09/trump-teases-phenomenal-tax-announcement-in-meeting-with-airline-executives

[59] http://www.washingtontimes.com/news/2017/feb/15/donald-trump-retail-executives-tax-cuts-are-coming/

[60] Issues can be reported multiple times per year when companies file reports, that would affect the total count but not the percentages as all issues are subject to the same phenomenon.

[61]Brian Kelleher Richter, Krislert Samphantharak & Jeffrey F. Timmons, Lobbying and Taxes , Vol. 53 American Journal of Political Science, Issue 4, 893-909 (Oct. 22, 2008), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1082146.

[62] https://www.noconsumertax.org/aboutuscc/

[63]Business coalitions to duel over Border Adjustment Tax, https://www.ceoupdate.com/articles/ceo-dateline-%E2%80%93-business-coalitions-duel-over-border-adjustment-tax

[64] http://www.motherjones.com/politics/2015/02/cfpb-us-consumer-coalition-brian-wise-elizabeth-warren

[65] Ibid.

[66] http://www.politico.com/tipsheets/politico-influence/2017/02/afp-readies-border-adjustment-push-218817

[67] https://www.youtube.com/watch?v=ndQNcjcHiDM

[68] http://www.reuters.com/article/us-usa-trump-companies-tax-idUSKBN15H2VV

[69]This is not an exhaustive list of all corporate coalitions or trade groups lobbying on tax just an example of some. For example we don't include the Chamber of Commerce or groups like the Semiconductor Industry Association or the The Aerospace Industries Association.

[70] Disbanded in 2012, included because it focuses on achieving a tax repatriation holiday which is included in the Congressional and Trump tax plans.

[71]This is not an exhaustive list of all corporate coalitions or trade groups lobbying on tax just an example of some. For example we don't include the Chamber of Commerce or groups like the Semiconductor Industry Association or the The Aerospace Industries Association.

[72] https://abetterway.speaker.gov/_assets/pdf/ABetterWay-Tax-PolicyPaper.pdf (Ryan Plan); https://assets.donaldjtrump.com/trump-tax-reform.pdf (Trump plan 1); https://www.donaldjtrump.com/policies/tax-plan/ (Revised Trump plan)

[73] Nunns, Jim, Len Burman, Ben Page, Jeff Rohaly and Joe Rosenberg (September 16, 2016) "An Analysis of the House GOP Tax Plan". http://www.taxpolicycenter.org/publications/analysis-house-gop-tax-plan/full

According to the conservative Tax Foundation, which makes very generous assumptions about the growth that tax cuts will generate, the Ryan plan would cost $2.4 trillion or $190 billion when you include their assumptions about the economic growth the plan would spur. They estimate the corporate tax reforms in the plan will cost $1.2 trillion over 10 years.
Pomerleau, Kyle (July, 2016) “Details and Analysis of the 2016 House Republican Tax Reform Plan”. https://files.taxfoundation.org/legacy/docs/TaxFoundation_FF516.pdf

[74] Ibid

[75] There numerous elements of their tax plans on individual taxation that serve the interests of the wealthy at the expense of the poor and middle class. Additionally there are other relevant proposals that we do not discuss in detail. The Ryan plan calls for a shift from depreciation and interest deduction to full exemption of capital expenses but not of interest expenses. That may have a big impact on revenues and will favor companies that rely on a lot of capital (e.g., utilities).The plan would also tax pass-through entities (i.e., a class of corporations including partnerships) at 25% instead of the individual rate (the top rate being cut to 33% under Ryan plan). That would encourage high-earners to incorporate and pay themselves in the form of profits taxable at 25% instead of salaries taxable at 33%.

[76] “Corporate Income Tax: Most Large Profitable U.S. Corporations Paid Tax but Effective Tax Rates Differed Significantly from the Statutory Rate,” Report No. GAO-16-363, Government Accountability Office (Mar 2016), https://www.gao.gov/products/GAO-16-363.

[77] https://www.treasury.gov/resource-center/tax-policy/tax-analysis/Documents/WP-104.pdf

[78] Jennifer C. Gravelle, Corporate Tax Incidence: Review of General Equilibrium Estimates and Analysis, Congressional Budget Office (May 2010), https://www.cbo.gov/publication/21486; Gravelle, Jane G. & Kent A. Smetters,
Does the Open Economy Assumption Really Mean That Labor Bears the Burden of a Capital Income Tax, vol. 6 Advances in Economic Analysis & Policy, 1 (2006).

[79] https://theintercept.com/2017/01/05/corporations-prepare-to-gorge-on-tax-cuts-trump-claims-will-create-jobs/

[80] Nunns, Jim, Len Burman, Ben Page, Jeff Rohaly and Joe Rosenberg (September 16, 2016) “An Analysis of the House GOP Tax Plan”. http://www.taxpolicycenter.org/publications/analysis-house-gop-tax-plan/full

[81] US will 'leapfrog' the world with tax reforms, says Kevin Brady; FT (February 2017) https://www.ft.com/content/8068420e-e887-11e6-893c-082c54a7f539

[82] Corporate Tax Wars: May tries to trump Trump in a race to the bottom http://www.taxjustice.net/2016/11/21/statement-intention-uk-government-enact-corporate-tax-cuts/

[83] Tax Battles, Oxfam (December 2016) https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp-race-to-bottom-corporate-tax-summ-121216-en.pdf

[84] Ibid

[85] Ibid

[86] A repatriation holiday would allow companies to bring money they have permenently reinvested abroad back to the US at a significantly lower rate than the normal corporate income tax rate.

[87] http://www.wsj.com/articles/SB10001424052970203633104576623771022129888

[88] https://www.bloomberg.com/news/articles/2016-11-21/trump-s-offshore-cash-plan-will-benefit-investors-not-jobseekers

[89] The total benefit for the 50 companies is approximately $312 billion for the Trump Plan which offers a10% repatriation rate or $337 billion for the House GOP plan which offers a 8.75% repatriation rate for profits held in cash, and 3.5% for profits not held in cash. For the House GOP plan we estimate benefits as if all profits are held in cash because data is not available to disaggregate the two. This is a conservative estimate as companies would gain even more if they hold some of their profits not in cash.

We calculate the benefit by applying the difference between the rate companies disclose that they would owe if they repatriated their profits under current law to the rate in the Trump/House GOP proposals. Not all companies disclose how much tax they would owe if they repatriated their profits under current law. For companies that do not disclose this information, we use the average rate of the companies that do disclose, which is 26.6%.

The calculation is as follows:
Profits held offshore x (Repatriation tax rate under current law – proposed repatriation tax rate under Trump/House GOP plans) = Estimated Benefits

[90] Ibid

[91] US will 'leapfrog' the world with tax reforms, says Kevin Brady; FT (February 2017) https://www.ft.com/content/8068420e-e887-11e6-893c-082c54a7f539

[92] US will 'leapfrog' the world with tax reforms, says Kevin Brady; FT (February 2017) https://www.ft.com/content/8068420e-e887-11e6-893c-082c54a7f539

[93] Regressive and Loophole-Ridden: Issues with the House GOP Border Adjustment Tax Proposal, Institute on Taxation and Economic Policy (February 22, 2017) http://itep.org/itep_reports/2017/02/regressive-and-loophole-ridden-issues-with-the-house-gop-border-adjustment-tax-proposal.php#.WMhQaVUrLIV

[94] Ibid

[95] Brady doesn't 'anticipate' carve out for financial transactions in tax reform https://www.politicopro.com/tax/whiteboard/2017/02/brady-doesnt-anticipate-carve-out-for-financial-transactions-in-tax-reform-083380

[96] Edward Mwachinga. Results of investor motivation survey conducted in EAC. World Bank, presentation given on 12.02.13 in Lusaka, quoted in Action Aid: Give us a break: How big companies are getting tax free deals. June 2013.

[97] TJNA and Action Aid. (2016). Still Racing Toward the Bottom? Corporate Tax Incentives

in East Africa.
[98] World Bank. (2015). Lifetime risk of maternal death (1 in: rate varies by country) http://data.worldbank.org/indicator/SH.MMR.RISK
[99] 20 Analysis of Nigerian Budget by BudgIT: http://yourbudgit.com/wpcontent/uploads/2016/01/2015-Publication-BUGET.pdf
Nigeria spends $1.4 billion a year on education. There are 10.5 million children in Nigeria out of school, of which 60 percent are girls. UNICEF Nigeria (webpage accessed 1 December 2016) https://www.unicef.org/nigeria/education.html
[100]How border adjustment reduces the value of your Scottish golf course, American Enterprise Institute, January 10, 2017
[101]Auerbach, Alan J. Border Adjustment and the Dollar, American Enterprise Institute, February 2017, https://www.aei.org/wp-content/uploads/2017/02/Border-adjustment-and-the-dollar.pdf
[102] Border Tax Adjustments Won't Stimulate Exports, American Enterprise Institute, March 2, 2009 https://www.aei.org/publication/border-tax-adjustments-wont-stimulate-exports/
[103] Trump's Tax Plan and the Dollar, January 3, 2017, https://www.project-syndicate.org/commentary/trump-tax-plan-hurts-competitiveness-by-emmanuel-farhi-et-al-2017-01#comments
[104] How border adjustment reduces the value of your Scottish golf course, American Enterprise Institute, January 10, 2017 https://www.aei.org/publication/how-border-adjustment-reduces-the-value-of-your-scottish-golf-course/
[105] https://www.aei.org/publication/how-border-adjustment-could-trigger-a-series-of-emerging-market-crises/
[106] Dollar-denominated commodity prices fall when the dollar rises because buyers of commodities must buy dearer dollars to purchase the same amount of commodities. So for any given budget in their local currencies, they get fewer commodities.
[107] Jubilee Debt Campaign (11 April, 2016) "Collapse in commodity prices leads to $61 billion funding gap for impoverished countries". http://jubileedebt.org.uk/press-release/collapse-in-commodity-prices-leads-to-61-billion-funding-gap-for-impoverished-countries
The US's poverty-focused foreign assistance budget for FY2014 ($23.4 billion). 7 things you may not know about US foreign assistance, Oxfam, (April 2014) https://politicsofpoverty.oxfamamerica.org/2014/04/7-things-didnt-know-about-us-foreign-assistance/
[108] Federal Reserve Chairwoman Yellen stated *"The problem is there's great uncertainty about how in reality markets would really respond to these changes*." Lawler, Joseph (February 15, 2017) "Yellen not sure GOP tax plan would boost dollar", Washington Examiner. http://www.washingtonexaminer.com/yellen-not-sure-gop-tax-plan-would-boost-the-dollar/article/2614918
[109]Americans for Affordable Products Fact Sheet https://keepamericaaffordable.com/getobject.aspx?file=coalition-Leave-Behind
[110] Divided Republicans look to Trump to lead on tax reform, February 27, 2017 http://www.politico.com/story/2017/02/divided-lawmakers-look-to-trump-to-lead-on-tax-reform-235428
[111] Kamin, David; Setse, Brad; House Plan's Bad Math: Over-Estimates of Revenue from a Border Adjustment; Tax Notes, March 2017 https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2932400
[112] Regressive and Loophole-Ridden: Issues with the House GOP Border Adjustment Tax Proposal, Institute on Taxation and Economic Policy (February 22, 2017) http://itep.org/itep_reports/2017/02/regressive-and-loophole-ridden-issues-with-the-house-gop-border-adjustment-tax-proposal.php#.WMhQaVUrLIV
[113] Ibid
[114] There is real debate about whether it will have the intended effect of subsidizing US production because it will also affect currency markets.
[115] Merkel to Warn Trump That U.S. Tax Changes May Spark Retaliation, Bloomberg, March 11, 2017 https://www.bloomberg.com/news/articles/2017-03-11/merkel-to-warn-trump-that-u-s-tax-changes-may-spark-retaliation
Mexico set to 'mirror' policy on any U.S. trade tax change: minister, Reuters, January 23, 2017 http://www.reuters.com/article/us-usa-trade-mexico-idUSKBN157213
[116] Inversions—when a US company renounces its US citizenship by buying a foreign subsidiary in a low-tax jurisdiction, where it reincorporates. In some cases, nothing changes about the actual business—the new inverted company remains headquartered in the US and still conducts business from the US, enjoying all the advantages of the US market, but no longer pays its rightful share of US taxes.
[117] Joint Committee on Taxation (January 30, 2017) "Estimates of Federal Tax Expenditures for Fiscal Years 2016–2020". https://www.jct.gov/publications.html?func=startdown&id=4971
[118] Transfer Mispricing- a widespread technique in which corporations manipulate the price of internal company transfers of goods and service between subsidiaries to dodge taxes.
[119] Earnings stripping- A subsidiary in a high tax country can borrow from a subsidiary in a low tax country enabling the parent company to essentially pay artificially high interest rates to itself. For the global company as whole, it's a wash – profits on one side match losses on the other – and no real business activity has occurred, except that the company's global tax bill is lower.
[120] Apple Owes $14.5 Billion in Back Taxes to Ireland, E.U. Says https://www.nytimes.com/2016/08/31/technology/apple-tax-eu-ireland.html?_r=0
[121] Exclusive: Google may face over $400 million Indonesia tax bill for 2015 https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwjZsKKI1vfSAhVY8WMKHY-ACFcQFggcMAA&url=http%3A%2F%2Fwww.reuters.com%2Farticle%2Fus-indonesia-google-idUSKCN11P0PC&usg=AFQjCNFMjE9CODS2ps8DhRFzY_3R1yKCGw&sig2=egPPphu2_lUK7ho_GikMZw
[122] Pfizer: Price Gouger, Tax Dodger - Americans For Tax Fairness; Americans for Tax Fairness https://americansfortaxfairness.org/files/Pfizer-Fact-Sheet-FINAL.pdf

Gilead Sciences: Corporate Tax Dodger - Americans For Tax Fairness https://americansfortaxfairness.org/issues/corporate-tax-dodgers/gilead-sciences-materials/
[123]Obama's inversion curbs kill Pfizer's $160 billion Allergan deal; Reuters; http://www.reuters.com/article/us-allergan-m-a-pfizer-idUSKCN0X21NV
[124]Social saints, fiscal fiends, The Economist, http://www.economist.com/news/business-and-finance/21684770-social-saints-fiscal-fiends-opinions-vary-whether-firms-can-be-socially-responsible
[125] https://www.unpri.org/page/pri_website_base.tax-resources
[126] Getting to Good – Towards Responsible Corporate Tax Behaviour; Oxfam, ActionAid, Christin Aid (November 2015) https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/dp-getting-to-good-corporate-tax-171115-en.pdf
[127] 50 largest US companies according to Forbes 2000 annual ranking http://www.forbes.com/global2000/list
[128] The Income Statements is generally referred to as the Consolidated Statements of Earnings, the Consolidated Statements of Income or Consolidated Statements of Operations.
[129] Of the 50 companies in our study, five companies did not disclose the amount of cash they hold offshore. AT&T, Comcast, US Bancorp, and Walgreens all disclose that they own subsidiaries in tax havens but do not disclose the existence of cash held off-shore. CVS does not disclose the existence of cash off-shore but also does not pay any foreign taxes or have any subsidiaries in tax havens.
[130] Robert McIntyre, et al., Offshore Shell Games 2015: The Use of Offshore Tax Havens by Fortune 500 Companies, Citizens for Tax Justice 20 (Oct. 2015). Two of the 50 companies we examined were not included in CTJ's report: AT&T and CVS. Our researchers looked at Exhibit 21 of their 2014 10-K reports and found that neither disclosed any subsidiaries located in the jurisdictions classified as tax havens by CTJ.
[131] 17 CFR § 210.1-02(w).
[132] One example technique is to shift intangible capital to a subsidiary in a low tax jurisdiction and have other subsidiaries or the parent company pay a large fee to that offshore subsidiary to use the intangible capital.