US Fortune 500 firms use tax havens to avoid $717.8 billion in taxes

By Barry Grey
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Only three days after the New York Times exposed how Donald Trump claimed paper losses of $916 million in 1995, which he could use to avoid paying any federal income tax over the ensuing 18 years, a new study was published showing that Trump’s legally sanctioned tax dodge is dwarfed by the standard practices of major US multinational corporations.

“Offshore Shell Games 2016: The Use of Offshore tax Havens by Fortune 500 Companies” was released Tuesday by three organizations—the US PIRG (Public Interest Research Group) Education Fund, Citizens for Tax Justice, and the Institute on Taxation and Economic Policy. The report, based on an analysis of 2015 corporate tax filings, revealed that 73 percent of Fortune 500 companies “maintained subsidiaries in offshore tax havens,” which enabled them to avoid paying a total of $717.8 billion in US corporate income taxes.

How pervasive is legally and politically protected corporate tax avoidance in the US capitalist system? The amount of money the biggest US multinationals withhold by booking profits to subsidiaries—often paper companies—nominally located in offshore tax havens is some $270 billion more than the federal budget deficit for 2015, $428 billion.

$717.8 billion is nearly seven times the amount the US government spends on education each year. It is nearly 22 times the 2015 budget of the US Department of Housing and Urban Development. The Health and Human Services budget is barely 3 percent of the taxes not paid by means of offshore tax havens.

A separate report by USA Today found that 27 companies in the Fortune 500 paid no federal tax for 2015, including General Motors, American Airlines, United-Continental Airlines and Xerox.

The same politicians, media pundits and government bureaucrats who repeat ad nauseam that “there is no money” for jobs, schools, health care, pensions or housing, oversee the de facto corporate theft of hundreds of billions in taxes.

According to the study, Fortune 500 companies are holding nearly $2.5 trillion in accumulated profits offshore for tax purposes. US tax laws, essentially written by corporate lawyers and lobbyists and rubber-stamped by the bribed lawmakers of both big-business parties, allow American-based multinationals to pay no taxes on these profits until they repatriate them back to the US. In the meantime, the corporations, which in many cases actually generated the profits either within the US or in places far distant from the countries where their tax haven subsidiaries are located, are able to deploy these profits to raise cash, invest, speculate, etc.

Of the Fortune 500 companies, 367 collectively maintain 10,366 tax haven subsidiaries. Of these, the 30 companies with the most money booked offshore collectively hold nearly $1.65 trillion overseas. They operate 2,509 tax haven subsidiaries.

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The average tax rate these 58 firms pay to other countries on these profits is a mere 6.2 percent, making it clear that most of this income is booked to subsidiaries in countries that exact little or no corporate taxes.

The report concludes that US multinationals withhold $100 billion in federal corporate taxes every year by
means of offshore tax havens.

What is involved here is legally sanctioned fraud facilitated by the regulatory agencies, such as the Securities and Exchange Commission and the Federal Reserve, whose supposed function is to police big business. The corruption is open and brazen.

As the study puts it: “Corporate lobbyists and their congressional allies have riddled the US tax code with loopholes and exceptions that enable tax attorneys and corporate accountants to book US-earned profits to subsidiaries located in offshore tax haven countries with minimal or no taxes... often, a company’s operational presence in a tax haven may be nothing more than a mailbox.”

The report cites a 2008 Congressional Research Service report noting that American multinational companies “collectively reported 43 percent of their foreign earnings in five small tax haven countries: Bermuda, Ireland, Luxembourg, the Netherlands and Switzerland.”

It adds that the profits American multinationals claim to earn in Bermuda and the Cayman Islands, countries with no corporate tax, total 1,884 percent and 1,313 percent, respectively, of these countries’ entire yearly economic output.

By far, the multinational with the biggest hoard of offshore profit holdings is Apple, which reports $214.9 billion. It would owe $65.4 billion in taxes if that money were to be brought back to the US. Other top offshore tax avoiders are Pfizer, at $193.6 billion; Microsoft, at $124 billion; General Electric ($104 billion) and IBM ($68 billion).

Goldman Sachs, which officially holds $28.6 billion overseas, reports having 987 subsidiaries in offshore tax havens. The study cites Goldman’s own web site as reporting that 537 of these are in Bermuda, despite not operating a single legitimate office in that country.

The $2.5 trillion that Fortune 500 companies report holding in offshore subsidiaries today is double the level reported by companies in 2009.

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