EXECUTIVE SUMMARY

Profitable corporations are subject to a 35 percent federal income tax rate on their U.S. profits. But many corporations pay far less, or nothing at all, because of the many tax loopholes and special breaks they enjoy. This report documents just how successful many Fortune 500 corporations have been at using loopholes and special breaks over the past eight years. As lawmakers look to reform the corporate tax code, this report shows that the focus of any overhaul should be on closing loopholes rather than on cutting tax rates.

It's important to note a key piece of this report's methodology. The report only includes corporations that were consistently profitable over the eight-year period from 2008 to 2015. In other words, if a firm had a loss in even one year, it is excluded from this report. By leaving out corporations that had losses (which means they wouldn't pay any tax), this report provides a straightforward picture of average effective tax rates paid by our nation's biggest and consistently profitable companies. Two hundred and fifty-eight Fortune 500 companies were consistently profitable in each of the eight years between 2008 and 2015. Most of these companies were included in our February 2014 report, *The Sorry State of Corporate Taxes*, which looked at the years 2008 through 2012. There are new companies in the report, including Netflix, which entered the Fortune 500 after 2013. In addition, some companies were excluded from the study because they lost money in 2013, 2014 or 2015.

Some Key Findings:

- As a group, the 258 corporations paid an effective federal income tax rate of 21.2 percent over the eight-year period, slightly over half the statutory 35 percent tax rate.

- Eighteen of the corporations, including General Electric, International Paper, Priceline.com and PG&E, paid no federal income tax at all over the eight-year period. A fifth of the corporations (48) paid an effective tax rate of less than 10 percent over that period.

- Of those corporations in our sample with significant offshore profits, more than half paid higher corporate tax rates to foreign governments where they operate than they paid in the United States on their U.S. profits.

These findings refute the prevailing view inside the Beltway that America's corporate income tax is more burdensome than the corporate income taxes levied by other countries, and that this purported (but false) excess burden somehow makes the U.S. "uncompetitive."

Other Findings:

- One hundred of the 258 companies (39 percent of them) paid zero or less in federal income taxes in at least one year from 2008 to 2015.

- The sectors with the lowest effective corporate tax rates over the eight-year period were Utilities, Gas and Electric (3.1 percent), Industrial Machinery (11.4 percent), Telecommunications (11.5 percent), Oil, Gas, and Pipelines (11.6 percent), and Internet Services and Retailing (15.6 percent). Each of these industries paid, as a group, less than half the statutory 35 percent tax rate over this eight-year period.

- The tax breaks claimed by these companies are highly concentrated in the hands of a few very large corporations. Just 25 companies claimed $286 billion in tax breaks over the eight years between 2008 and 2015. That's more than half the $527 billion in tax subsidies claimed by all of the 258 companies in our sample.

- Five companies — AT&T, Wells Fargo, J.P. Morgan Chase, Verizon, and IBM — enjoyed more than $130 billion in tax breaks during the eight-year period.

Recommendations for Reform:

- Congress should repeal the rule allowing American multinational corporations to indefinitely "defer" U.S. taxes on their offshore profits. This reform would effectively remove the tax incentive to shift profits and jobs overseas.

- Limit the ability of tech and other companies to use executive stock options to reduce their taxes by generating phantom "costs" these companies never incur.

- Having set "bonus depreciation" on a path toward expiration at the end of 2019, Congress should take the next step and repeal the rest of accelerated depreciation, too. At a minimum, lawmakers should resist calls to expand these tax breaks by allowing for the immediate expensing of capital investments.

- Reinstate a strong corporate Alternative Minimum Tax that does the job it was originally designed to do.

- Increase transparency by requiring country-by-country public disclosure of company financial information, including corporate income and tax payments, through filings to the Securities and Exchange Commission.