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## Fact Sheet: Offshore Shell Games 2017

Multinational corporations use tax havens to avoid an estimated \$100 billion in federal income taxes each year. Every dollar in taxes that corporations avoid must be balanced by higher taxes on individuals, fewer public investments and services or more federal debt.

### Key Findings:

- Fortune 500 companies are holding more than \$2.6 trillion in accumulated profits offshore on which they owe an estimated \$752 billion in federal taxes.
- Just four of these companies, Apple, Pfizer, Microsoft and General Electric, account for a quarter of the total. Just 30 Fortune 500 companies account for 68 percent, or \$1.76 trillion, of these offshore profits.
- Only 58 companies disclose enough information to determine foreign taxes they have paid, and the average for this group is just 6.1 percent, which implies that the bulk of their offshore earnings are in tax havens. If we assume that the average tax rate of 6.1 percent applies to all 293 Fortune 500 companies with offshore earnings, they would owe a 28.9 percent rate upon repatriation of these profits, meaning they would collectively owe \$752 billion in additional federal taxes if all the money were repatriated at once.
- At least 366 companies, or 73 percent of the Fortune 500, operate one or more subsidiaries in tax haven countries. All told, these 366 companies maintain at least 9,755 tax haven subsidiaries.
- IRS data shows that U.S. companies report 59 percent of their offshore earnings to 10 notorious tax havens. The profits that all American multinationals claimed to earn in Bermuda and the Cayman Islands totaled 18 times and 13 times each country's entire yearly economic output, respectively.

### Recommendations for Congress

Congress could act tomorrow to shut down tax haven abuse by repealing tax provisions that enable and encourage the practice of shifting money into offshore tax havens. Congress should:

- Reject the creation of new loopholes like a move to a territorial tax system.
- End the ability of companies to defer U.S. taxes on their offshore profits.
- Increase transparency by requiring companies to publicly report financial data on a country-by-country basis.
- At a minimum, Congress should close the most egregious offshore loopholes, such as the loophole allowing inversions, among many others.

For more information, see ITEP's full report on offshore tax avoidance at:

<https://itep.org/offshoreshellgames2017/>