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Fact Sheet: Apple and Tax Avoidance

Apple is the most valuable public company[1] of all time with a market value of more than $800 billion.[2] Last year, it cleared $45.7 billion[3] in profits after taxes, making it the most profitable company in the Fortune 500 for the third straight year.

Apple is also particularly adept at avoiding U.S. taxes on these gargantuan profits. The major strategy Apple uses to reduce its U.S. tax bill is to artificially shift large amounts of its domestic profits into tax havens. This allows Apple to avoid paying U.S. taxes on these profits while also paying very little in foreign taxes. This is possible due to a loophole in the tax code called "deferral" that allows U.S. multinational corporations to forego taxes on profits of their foreign subsidiaries until they are paid as dividends to the U.S. parent company. Like many other multinationals, Apple exploits this loophole by using accounting maneuvers to shift its U.S. profits overseas (often only on paper) and then indefinitely deferring U.S. taxes on them.

Quick Facts: Apple's Offshore Profits

- Apple has booked $252.3 billion[4] in profits offshore on which it has not paid a dime in U.S. taxes. It's offshore sum is greater than any other company.[5] This is nearly 10 percent of the total $2.6 trillion in profits that U.S. Fortune 500 companies disclose holding offshore.
- By keeping these profits offshore, Apple is avoiding $78.5 billion in U.S. taxes.[6]
- A repatriation rate of 12 percent, as proposed by the GOP, would generate at least $51.6 billion in tax savings for Apple.

Apple's Tax Dodging Strategy

- Between 2008 and 2015, Apple earned $305 billion before taxes, and paid a foreign tax rate of only 5.8% during this time.[7]
- Apple was able to achieve this low foreign rate by shifting a large portion of its profits into its three Irish subsidiaries.[8]
- A Senate investigation in 2013 found that two of Apple's Irish subsidiaries were structured so that, for tax purposes, they weren't "residents" of either Ireland or the U.S., allowing them to pay almost nothing to either country.[9]
- Last year, European authorities charged Ireland with illegally cutting a special tax deal with Apple that gave the company a tax rate as low as 0.005%, lowering its Irish tax bill by over $14 billion.[10]
- Much of the profits that Apple has assigned to its Irish subsidiaries is actually held in U.S. bank accounts and government bonds, but it can avoid U.S. taxes on these amounts because for tax purposes, the profits are under "foreign control."[11]

[1] Business Insider, "Apple just broke its own record as the most valuable publicly traded company of all time" (May 8, 2017). http://www.businessinsider.com/apple-becomes-the-most-valuable-publicly-traded-company-of-all-time-2017-5

[2] MarketWatch, "Apple, Inc. – Key Data" (Retrieved Oct. 26, 2017). https://www.marketwatch.com/investing/Stock/AAPL

[3] Fortune, "The Fortune 500's 10 Most Profitable Companies," (June 7, 2017). http://fortune.com/2017/06/07/fortune-500-companies-profit-apple-berkshire-hathaway/

[4] ITEP analysis of 10-K filing. https://www.sec.gov/Archives/edgar/data/320193/000032019317000070/0000320193-17-000070-index.htm

[5] Institute on Taxation and Economic Policy (ITEP), "Offshore Shell Games 2017" (October 2017), p. 2. https://itep.org/wp-content/uploads/offshoreshellgames2017.pdf

[6] ITEP analysis of 10-K filing. https://www.sec.gov/Archives/edgar/data/320193/000032019317000070/0000320193-17-000070-index.htm

[7] ITEP, "The 35 Percent Corporate Tax Myth" (March 2017), p. 34. https://itep.org/wp-content/uploads/35percentfullreport.pdf

[8] ITEP, "Offshore Shell Games," p. 25.

[9] U.S. Senate Permanent Subcommittee on Investigations, "Statement of Senator Carl Levin (D-Mich) Before U.S. Senate Permanent Subcommittee on Investigations on Offshore Profit Shifting and the U.S. Tax Code – Part 2 (Apple, Inc.)" (May 21, 2013). http://www.hsgac.senate.gov/download/?id=3C1C51C9-B56C-4AB5-8887-ABEF800BD076

[10] European Commission, "State Aid: Ireland Gave Illegal Tax Benefits to Apple Worth Up To €13 Billion" (Aug. 30, 2016). http://europa.eu/rapid/press-release_IP-16-2923_en.htm

[11] New York Times, "For U.S. Companies, Money 'Offshore' Means Manhattan" (May 21, 2013). http://www.nytimes.com/2013/05/22/business/for-us-companies-money-offshore-means-manhattan.html