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## Fact Sheet: *The 35 Percent Corporate Tax Myth*

The Institute on Taxation and Economic Policy has released the latest in a series of reports, spanning the last three decades, that examine Fortune 500 firms' corporate tax filings. The new report examines eight years of data from 2008 to 2015. For a variety of reasons, it is possible for a corporation to pay different effective tax rates from one year to the next, so this eight-year study provides a more helpful view of long-term trends in corporate taxes. Importantly, the report only includes corporations that were consistently profitable over the eight-year period. 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 owe any income tax), this report provides a clear picture of the average effective tax rates paid by our nation's biggest, and consistently profitable companies. This study includes 258 Fortune 500 firms that were profitable every year between 2008 and 2015. Below are key findings.

### **TAX RATES**

Profitable Fortune 500 firms collectively pay far less than the statutory 35 percent federal corporate tax rate. 258 profitable Fortune 500 corporations paid an average effective tax rate of 21.2 percent on their U.S. profits over the eight years between 2008 and 2015.

**Many profitable corporations are finding ways to zero out their corporate taxes.**

**Of the 258 profitable Fortune 500 companies in our sample:**

- 18 paid ZERO in taxes over the full eight-year period.
- 100 paid zero—or less—in at least one profitable year during the eight-year period, 58 of those companies had multiple zero-tax years.
- 24 companies zeroed out their taxes in at least four of the eight years.
- 48 companies paid a rate between 0 and 10 percent over eight years.

**Utility and oil, gas and pipeline companies pay low tax rates.** Utilities (e.g. electricity providers) paid an eight-year tax rate averaging just 3 percent. Oil, gas and pipeline companies paid an average 11.2 percent rate. Telecommunications companies paid 11.5 percent, and Internet services companies paid an eight-year average of 15.6 percent.

**Retail and health care companies are more likely to pay close to the statutory 35 percent rate.** About a quarter of the companies in the study sample paid a tax rate averaging 30 percent or more. Almost 60 percent of these companies were in just two economic sectors: retail trade and health care.

Of the profitable companies in the retail and health care sectors, more than half paid eight-year tax rates exceeding 30 percent. Among all other economic sectors, just 15 percent—less than one out of six—paid an eight-year rate exceeding 30 percent.

## TAX BREAKS

Collectively, the 258 corporations enjoyed \$526 billion in tax breaks over the last eight years. More than half of those tax breaks, \$286 billion, went to just 25 of the most profitable corporations. The five biggest beneficiaries of tax breaks during the eight-year period were AT&T (\$38 billion), Wells Fargo (\$31 billion), J.P. Morgan (\$22 billion), Verizon (\$21 billion), and IBM (\$17.8 billion).

Tax breaks for executive stock options continued to play an important role in reducing taxes, especially for the tech sector. Companies reduced their taxes by \$51.8 billion during the eight-year period using the “excess stock option” tax breaks. Ten percent of these tax breaks went to Facebook alone, and 25 companies collectively reaped more than half the tax savings from the stock option break.

## TAXES AT HOME AND ABROAD

Many multinational companies face higher corporate tax rates abroad than in the United States. Of 107 companies in our report that engaged in substantial international activities (constituting more than 10 percent of their worldwide income), 62 paid higher foreign tax rates on their foreign income than the tax rate they paid to the U.S. treasury on their domestic income. For these 62 companies, the average foreign tax rate was 25.8 and the average federal tax rate was 18.3.

## REPORT METHODOLOGY

ITEP’s new report builds on the findings of our last similar study, released in February 2014. The 2014 report examined corporate tax payments by U.S.-based Fortune 500 corporations that were consistently profitable, *in the United States*, over the five-year period between 2008 and 2012. The new report extends this time period to include three new years, 2013 through 2015. Now our sample consists of Fortune 500 corporations that were consistently profitable in the United States during the eight-year period between 2008 and 2015.

## 25 Companies with the Largest TOTAL Tax Subsidies, 2008-15 (\$ - millions)

Company	2008-15 Tax breaks
AT&T	38,068
Wells Fargo	31,428
J.P. Morgan Chase & Co.	22,213
Verizon Communications	21,130
International Business Machines	17,806
General Electric	15,389
Exxon Mobil	12,942
Boeing	11,863
PNC Financial Services Group	8,809
Procter & Gamble	8,515
NextEra Energy	7,844
Twenty-First Century Fox	7,630
Duke Energy	7,341
Devon Energy	7,224
Comcast	7,172
Time Warner	6,720
Southern	6,569
American Electric Power	6,473
Union Pacific	6,333
United Technologies	6,001
Qualcomm	5,934
Exelon	5,898
Time Warner Cable	5,692
Intel	5,521
Goldman Sachs Group	5,455
<b>Total these 25 companies</b>	<b>\$ 285,969</b>
Other 233 companies	240,791
<b>All companies</b>	<b>\$ 526,760</b>