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Fact Sheet: Facebook and Tax Avoidance

Since Facebook became a public company, its annual revenues have increased by 250 percent from around \$8 billion in 2013 to nearly \$28 billion last year.¹ In the same time period, the company's before-tax profits shot up four-and-a-half fold to \$12.5 billion.² But in this time it has also managed to avoid billions of dollars in U.S. taxes.

Over eight years, Facebook paid less than half the statutory corporate tax rate

Between 2010 and 2015, Facebook had pre-tax U.S. profits of \$14.8 billion, on which it paid [16.5 percent in U.S. taxes](#)—less than half the official U.S. corporate tax rate.³ And in three of these years, Facebook paid no taxes at all to the United States Treasury.⁴

One tax loophole that Facebook has led the pack in exploiting is the “stock option loophole.” Facebook and other big corporations often compensate their executives with stock options (options to purchase shares of company stock at a discounted rate). When those options are exercised, the company is allowed to deduct from its taxable income the difference between the value of the shares and what the employee pays for the stock, even though the company doesn't have to spend anything to provide the stock option to its executives. Between 2010 and 2015, Facebook saved [\\$5.8 billion](#) in taxes through the stock option loophole.⁵ This means that American taxpayers have subsidized massive compensation packages for Mark Zuckerberg and Facebook's other executives.

Facebook also likely has avoided U.S. taxes by claiming that [\\$2.9 billion](#) of the company's profits were earned offshore, and are “permanently reinvested” outside the United States. Some fraction of the company's offshore profits may reside in Facebook's subsidiaries in known foreign tax havens such as Ireland and Singapore.⁶

¹ ITEP analysis of Facebook's 2016 and 2013 10K filings with the SEC.

² *Ibid.*

³ Institute on Taxation and Economic Policy (ITEP), “The 35 Percent Corporate Tax Myth” (March 2017), p. 38. <https://itep.org/wp-content/uploads/35percentfullreport.pdf>

⁴ *Ibid.*, p. 5.

⁵ ITEP, “35 Percent,” p. 15.

⁶ ITEP, “Offshore Shell Games 2017” (October 2017), p. 37. <https://itep.org/wp-content/uploads/offshoreshellgames2017.pdf>