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Which Fortune 500 Companies Are Sheltering Income in Overseas Tax Havens?

Ten Corporations Admit Paying Little Tax on Offshore Income; More Likely Do the Same

Earlier this year, the United States Congress debated creating a “repatriation tax holiday” – an amnesty for offshore corporate profits – that would have provided a special lower corporate tax rate for multinational companies that bring overseas profits back to the United States. Some observers have argued that many multinationals have been sheltering their profits in overseas tax havens, based on the hope that Congress will repeat the same “tax holiday” experiment it previously undertook in 2004. A new CTJ analysis of the financial reports of the Fortune 500 companies shows that 285 of these corporations had accumulated more than \$1.5 trillion in overseas profits by the end of 2011, and there is evidence that a significant portion of these profits are located in tax havens.

In particular, our analysis shows that ten corporations, representing over a sixth of the \$1.5 trillion in unrepatriated profits, reveal sufficient information to show that they have paid little or no tax on their offshore profit hoards to any government. That implies that these profits have been artificially shifted out of the United States and other countries where the companies actually do business, and into foreign tax havens.

For hundreds of other companies with overseas cash holdings, Congress currently has little information at its disposal that could tell policymakers how much of these companies’ unrepatriated profits are, in fact, anything more than earnings artificially shifted into tax havens. Before taking any action to deal with these unrepatriated profits, policymakers should demand full disclosure about the taxes that have been paid, or not paid, on these offshore profit hoards.

Unrepatriated Income of Fortune 500 Corporations in 2011, \$ Billions

	Income	Share of Income
Top 20	\$ 794	50%
Next 30	377	24%
Next 135	381	24%
Bottom 100	33	2%
All 285	\$ 1,584	100%

Source: CTJ analysis of companies’ 10-Ks

Fortune 500 Companies Reported \$1.5 Trillion in Unrepatriated Foreign Income in 2011

For 2011, most of the Fortune 500 biggest corporations published information, buried deep in their annual “10-K” financial reports, that discloses the amount of unrepatriated income the companies are “indefinitely” reinvesting abroad. CTJ has tabulated this information for each of the 285 companies that provided it in 2011. The table on this page and the detailed appendix at the end of this paper summarize this information. CTJ’s analysis shows that these 285 companies collectively reported \$1.584 trillion in unrepatriated income. But this income is

concentrated very heavily in the hands of a small number of companies: just 20 corporations accounted for \$794 billion of this income—just over half the reported total—and the top 50 companies account for about three-quarters of the total. At the other end of the spectrum, the 100 corporations with the smallest reported unrepatriated income amounts represented just 2 percent of the total.

Many Companies Have Paid Little or No Foreign Tax On This Unrepatriated Income

For policymakers interested in ensuring that these profits are brought back to the U.S., one important question is whether the companies in question have paid any foreign income tax on these profits. This is important because the normal U.S. federal income tax on these profits when they are repatriated is not simply 35 percent. It's 35 percent minus any income taxes paid to foreign jurisdictions.

For example, if a company's unrepatriated foreign profits were earned in a country with a 25 percent tax rate, the normal tax upon repatriation to the U.S. would be 10 percent. But a company that has shifted its profits to a tax haven country with a zero percent tax rate would face the full 35 percent U.S. tax rate on repatriated income.

Astonishingly, policymakers generally have no way to know how much of the \$1.584 trillion in Fortune 500 companies' unrepatriated income is stashed in tax havens. This is primarily because only 47 of the 285 companies with foreign profit hoards were willing to disclose, in their annual 10-K reports, even a rough estimate of the amount of income tax liability they would face upon repatriation. Although accounting standards require such disclosure, many companies hide the facts behind a statement that estimating the U.S. tax on repatriation is "not practicable."

Notably, many of the 47 disclosing companies estimate that repatriating their offshore profits would result in a tax bill quite close to the statutory federal rate of 35 percent—indicating that these companies have paid very little foreign income tax on these earnings. In particular, the table below shows that 10 of these companies, with total unrepatriated profits of \$209 billion, would collectively pay a 33 percent U.S. tax rate on these profits if they were brought back to the U.S. **The most likely explanation of this is that most of these earnings represent U.S. profits that have been shifted overseas to offshore tax havens such as Bermuda and the Cayman Islands.**

10 Companies That Disclose Likely Tax Payments from Repatriation

Company Name	Amount of Unrepatriated Income \$Millions	Estimated Tax Bill \$Millions	Implied Tax Rate
Amgen	19,500	6,900	35%
Gilead Sciences	5,840	2,050	35%
Eli Lilly	20,600	7,210	35%
Qualcomm	13,500	4,700	35%
Western Digital	4,700	1,600	34%
Baxter International	8,900	3,000	34%
Dell	15,900	5,200	33%
Nike	5,500	1,800	33%
Apple	54,300	17,138	32%
Microsoft	60,800	19,400	32%
TOTAL	\$ 209,540	\$ 68,998	33%

Source: CTJ analysis of companies' 10-Ks

Very Significant Revenues are at Stake

It's impossible to know how much income tax would be paid, under current tax rates, upon repatriation by the 285 Fortune 500 companies that have admitted holding profits overseas but have failed to disclose how much U.S. tax would be due if the profits were repatriated. But if these companies paid at the same 27 percent average tax rate as the 47 disclosing companies, the resulting one-time tax would total \$328 billion for these 235 companies. Added to the \$105 billion tax bill estimated by the 47 companies who did disclose, this means that taxing all the "permanently reinvested" foreign income of the 285 companies could result in \$433 billion in added corporate income tax revenue.

Conclusion

It's hardly news that U.S. multinationals are sheltering income overseas. Advocates of a new repatriation holiday cite the presence of \$1.5 trillion in unrepatriated income as an indication that Fortune 500 companies' profits are "trapped" overseas, and that these companies would bring back much of this income to the U.S. if our corporate tax rate were reduced as part of a "repatriation tax holiday." At the same time, advocates of loophole-closing tax reform see these huge overseas profit hoards as an indication that multinationals are systematically shifting U.S. income artificially to tax havens.

But, as CTJ's analysis of Fortune 500 companies' financial documents shows, in most cases policymakers simply don't have the tools at their disposal to assess the truth of these arguments. There is certainly evidence that many of these companies are sheltering profits in tax havens, but for the vast majority of these companies their financial reports reveal nothing on this point. Before acting to resolve the thorny issues surrounding repatriation and other international tax changes, Congress should first demand access to basic information about whether the companies accumulating large amounts of profits offshore have paid any taxes on this income.

47 Companies That Disclose Likely Tax Payments from Repatriation

Company Name	Amount of Unrepatriated Income \$Millions	Estimated Tax Bill \$Millions	Implied Tax Rate
Tenneco	\$ 698	\$ 269	39%
Express Scripts	54	20	36%
Amgen	19,500	6,900	35%
Gilead Sciences	5,840	2,050	35%
Eli Lilly	20,600	7,210	35%
AK Steel Holding	19	7	35%
Qualcomm	13,500	4,700	35%
Peabody Energy	1,300	451	35%
Advanced Micro Devices	414	141	34%
Western Digital	4,700	1,600	34%
Baxter International	8,900	3,000	34%
Nike	5,500	1,800	33%
Dell	15,900	5,200	33%
Microsoft	60,800	19,400	32%
Apple	54,300	17,138	32%
Symantec	2,400	730	30%
Oracle	20,900	6,300	30%
United States Steel	2,993	900	30%
American Express	7,700	2,300	30%
Jacobs Engineering Group	26	7	28%
Wells Fargo	1,200	339	28%
Citigroup	35,900	9,500	26%
FMC Technologies	1,104	288	26%
Clorox	146	36	25%
Assurant	138	33	24%
Biogen Idec	2,700	650	24%
Air Products & Chemicals	4,052	968	24%
MDU Resources	7	2	23%
Northern Trust	678	155	23%
J.P. Morgan Chase & Co.	21,800	4,900	22%
Washington Post	61	13	22%
CH2M Hill	95	20	21%
Lockheed Martin	193	41	21%
Caesars Entertainment	43	9	21%
Goldman Sachs Group	20,630	3,320	16%
Gap	1,500	225	15%
Bank of America Corp.	18,500	2,500	14%
Duke Energy	1,700	213	12%
Safeway	1,200	143	12%
Anixter International	433	50	12%
Morgan Stanley	6,461	670	10%
Ameriprise Financial	89	9	10%
Murphy Oil	4,895	492	10%
Walt Disney	340	30	9%
W.R. Berkley	66	5	8%
Ford Motor	8,400	300	4%
Occidental Petroleum	5,500	88	2%
TOTAL	\$ 383,871	\$ 105,121	27%

Source: CTJ analysis of companies' 10-Ks