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Corporate tax breaks rise

Report says many in Fortune 500 paid 17.2 percent in 2003

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A study of 275 Fortune 500 companies found that nearly a third paid zero or less in federal income taxes for at least one year since President Bush took office.

The study, released Wednesday by Citizens for Tax Justice and the Institute on Taxation and Economic Policy, found that the surveyed companies paid only 17.2 percent in 2003, instead of the 35 percent corporate income tax rate.

“The sharp increase in the number of tax-avoiding companies reflects the results of aggressive corporate lobbying and a White House and Congress eager to do the lobbyists’ bidding,” Robert S. McIntyre, director of CTJ and co-author of the report, said in a statement.

During the 2001-03 period, the surveyed companies reported almost \$1.1 trillion in pretax profits. At a 35 percent rate, those companies would have paid \$370 billion in taxes.

“Instead, the companies as a group paid a three-year effective tax rate of only 18.4 percent, for a total of \$175 billion in tax breaks over the three years,” according to the report. “This is \$175 billion that could have helped pay for health care, education, water and sewer lines, economic development and other pressing needs for West Virginia.”

Tax rates for the companies in Bush’s first year as president were almost at the 21.7 percent rate seen during Bill Clinton’s second term.

But the rates fell in 2002 and 2003 to their lowest levels — about 17 percent — since loophole-elimination reforms instituted under Ronald Reagan in the late 1980s.

Forty-six of the companies paid zero or less in 2003 alone. Those companies reported pretax profits of more than \$40 billion and received more than \$5 billion in rebates.

“That an average West Virginian family paid more in federal income tax than 46 major corporations — combined — is outrageous,” said Steve White, director of the Affiliated Construction Trades Foundation. “When large corporations get huge tax breaks, working families and small businesses are left to pick up the slack.”

The report is based on annual reports to shareholders and filings with the U.S. Securities and Exchange Commission. Companies that were not profitable and companies that did not provide enough information electronically were not surveyed.

The report says that after the Sept. 11, 2001, terrorist attacks, “lobbyists descended upon Washington, D.C., to try to turn our nation’s misfortune to their companies’ advantage. They sought huge tax breaks, and even refunds of taxes paid in the past.”

In early 2002 — when Republicans controlled the White House and the House of Representatives and Democrats narrowly controlled the Senate — President Bush signed legislation “hugely expanding corporate tax breaks, and then expanded those tax breaks in 2003.”

The report also found:

General Electric received the most in tax breaks, with nearly \$9.5 billion. SBC Communications was close behind with about \$9 billion.

Aerospace and defense companies got the biggest tax breaks, paying only 1.6 percent of their profits over three years. No industry paid more than 29 percent.

Except for one year during Reagan’s administration, 2002 and 2003 were the lowest sustained levels for corporate income taxes since World War II. “Corporate income taxes as a share of the (U.S.) economy are far lower than those in almost every other major industrialized country,” according to the report.

On the Internet: www.ctj.org/corpfed04an.pdf

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