

Big Companies Paid a Fraction of Corporate Tax Rate

By NELSON D. SCHWARTZ

The biggest, most profitable American companies paid only a fraction of the taxes they would owe under the official corporate rate, according to a study released on Monday by the Government Accountability Office.

Using allowed deductions and legal loopholes, large corporations enjoyed a 12.6 percent tax rate far below the 35 percent tax that is the statutory rate imposed by the federal government on corporate profits.

The findings come amid rising criticism of the tactics that some big companies use to lower their tax bills.

In May, the Senate Permanent Subcommittee on Investigations examined the practices of Apple, in particular how the technology giant had used overseas subsidiaries to sidestep billions in taxes. At a hearing in late May on Capitol Hill, Apple's chief executive, Timothy D. Cook, insisted that the company had fully complied with tax laws and had paid all it legally owed, both here and abroad.

Senator Carl Levin, a Michigan Democrat who chairs the subcommittee, and Senator Tom Coburn, an Oklahoma Republican, requested the report to study the issue. The report by the G.A.O., which is the investigative arm of Congress, focused on companies with more than \$10 million in assets and what they paid from 2008 to 2010, although it did not address the practices of specific companies.

Even so, the findings, along with the earlier reports about Apple, could complicate the efforts to reform the federal tax code's treatment of companies.

Chief executives argue that Congress needs to overhaul the corporate tax system because the rates in the United States are well above those of other developed countries. They add that their companies pay taxes around the world, so their federal rate doesn't offer a complete picture of their bill.

But legislators like Mr. Levin say the issue is much more complex. The report found that even when foreign, state, and local taxes were included, the tax rate of large companies rose only to 16.9 percent of total income, still well below the official 35 percent.

"Some U.S. multinational corporations like to complain about the U.S. 35 percent statutory tax rate, but what they don't like to admit is that hardly any of them pay anything close to it," Mr. Levin said in a

statement. "The big gap between the U.S. statutory tax rate and what large, profitable U.S. corporations actually pay is due in large part to the unjustified loopholes and gimmicks that riddle our tax code."

At the same time, big companies are shouldering a smaller part of the overall tax burden than in the past. As a percentage of federal tax revenue, corporate taxes have fallen to 9 percent from more than 30 percent in the 1950s. Overall, corporations paid about \$242 billion in federal taxes in 2012, compared to \$1.1 trillion taxes paid by individual taxpayers. Mr. Coburn said that he favors closing loopholes and eliminating tax breaks even as the overall rate is lowered. "An individual's or corporation's tax rate shouldn't be dependent on their ability to hire a tax lobbyist," he said in a statement. "We would be better off with a code that eliminated these loopholes so we can lower rates for both corporations and individuals."
