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Tech Untaxed: Tax Avoidance in Silicon Valley, and How America's Richest Company Pays a Lower Tax Rate than You Do

SAMUEL S. KANG and TUAN NGO | The Greenlining Institute

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THE GREENLINING INSTITUTE

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About the Greenlining Institute

The Greenlining Institute is a national policy, research, organizing, and leadership institute working for racial and economic justice. We ensure that grassroots leaders are participating in major policy debates by building diverse coalitions that work together to advance solutions to our nation's most pressing problems. Greenlining builds public awareness of issues facing communities of color, increases civic participation, and advocates for public and private policies that create opportunities for people and families to make the American Dream a reality.

About Greenlining's Consumer Protection Program and Our Legal Team

Led by General Counsel Samuel Kang, Greenlining uses in house legal experts to ensure that there is equity in the state's energy, telecom, and cable industries. Greenlining's legal team is one of the few active racial justice advocates at the California Public Utilities Commission, the Federal Communications Commission, and other regulatory bodies.

They work closely with grassroots leaders to ensure that the needs and solutions of communities of color are represented in the halls of these commissions. Greenlining plays a critical role in ensuring that California's regulated companies remain leaders on issues of diversity and economic equity. In addition, our legal team builds bridges between grassroots leaders and corporate CEOs to ensure that positive dialogue leads to win win solutions.

About the Authors

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Sam's primary responsibility is to craft strategies that maximize the organization's cooperative opportunities, or in the alternative, compel adversarial compliance. He has led several successful campaigns impacting state and national policy. Sam engages directly with the heads of federal and state regulatory agencies, corporate executives, and community leaders. He also provides strategic guidance to members of the California legislature and U.S. Congress. Sam has been interviewed and quoted in dozens of media outlets across the country including the Los Angeles Times, San Francisco Chronicle, Sacramento Bee, Philadelphia Inquirer, and CBS. Prior to Greenlining, Sam worked at several NGOs on issues ranging from Iraqi sanctions enforcement to economic development in New York's West Harlem neighborhood. He was previously a Coro Fellow and recognized as one of the top young Korean American leaders in the United States.

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Tuan is from Santa Ana, California and currently attends the University of California, Hastings, where he will receive his J.D. in 2013. Tuan earned his B.A. in Diplomacy and World Affairs from Occidental College and has worked for the Tides Foundation in San Francisco. He was a 2007-08 Coro Fellow. In 2003, Tuan founded a Leprosy English Camp that benefited over 100 youth whose family members were affected by leprosy in the Surin province of Thailand. He is also an advocate stateside as Chair of the Queer-Straight Alliance and the Asian Pacific Island Association. Tuan is also a board member of the Vietnamese American Bar Association of Northern California.

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Executive Summary

I. Tax Avoidance and Offshore Holdings

- This report is a follow-up to The Greenlining Institute's 2011 report, *Corporate America Untaxed: Tax Avoidance on the Rise*, which expanded upon the 2008 Government Accountability Office (GAO) report, *Large U.S. Corporations and Federal Contractors with Subsidiaries in Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions.* In this analysis we look primarily at high-tech companies, a sector of the economy that has boomed despite the recession, with a focus on 30 top tech companies listed in the Fortune 500. Many of these companies are presently supporting a repatriation campaign that would allow foreign profits to be brought back to the U.S. at a drastically reduced tax rate.
- The amount of cash held overseas by these companies shot up by 21 percent from 2010 to 2011, to just under $430 billion. Apple and Microsoft had the biggest increases in cash held offshore.
- Simultaneously, the tax rate paid by these companies has plunged – from 23.6 percent in 2009 to 19.9 percent in 2010 and 16 percent in 2011. The hypothetical top corporate tax rate of 35 percent is almost entirely a fiction.
- The tax rate paid by Apple, the world's most valuable company with a stock valuation that passed $500 billion in March 2012, has dropped even more dramatically. With profits soaring past $34 billion last year, the company's tax rate fell from 24.8 percent in 2009 to 14.7 percent in 2010 and 9.8 percent in 2011. Apple's tax rate over the last three years was less than that of middle-income Americans with average household incomes of $64,500 per year; its 2011 tax rate was lower than that of American households making an average of $42,500 per year.
- These 30 tech companies added a net total of 51 foreign subsidiaries from 2010 to 2011. Nineteen of these were in tax haven jurisdictions as identified by the GAO. Sixteen of the companies had 10 or more subsidiaries in tax haven countries.
- The 30 tech companies received $18.7 billion in federal contracts during the 2011 fiscal year, an increase of $76.9 million over 2010, with the majority going to eight firms. These eight companies earned $82.5 billion worldwide and paid an average tax rate of 19.9 percent, far below the supposed corporate income tax rate of 35 percent.
- Despite claims being made in an aggressive lobbying campaign, repatriation is unlikely to create U.S. jobs or boost the economy. The 2004 repatriation law, which allowed companies to return profits to the U.S. at a sharply discounted 5.25 percent tax rate, cost the Treasury billions in revenues, while the top 15 repatriating companies actually cut U.S. jobs in the aftermath. The money appears to have gone to investors and executives through stock buybacks, increased compensation to executives and other devices, not into expanded U.S. production or employment. Since the 2004 holiday, the corporations that repatriated substantial sums have built up their offshore funds at a greater rate than before it was enacted, suggesting that the law encouraged the shifting of more corporate dollars and investments offshore in anticipation of another tax holiday.

II. Recommendations

- **Pass the Stop Tax Haven Abuse Act.** This legislation, introduced last year, is a broad package of reforms designed to curb abuse of offshore tax havens. It would prevent companies run from the U.S. from being able to claim foreign status, as well as closing multiple loopholes and strengthening enforcement of the tax code.

- **Fix the tax code, specifically Subpart F, to end deferral of certain types of income**. Deferral encourages corporations to accumulate profits offshore indefinitely.
- **Do *not* enact another repatriation tax holiday.** The 2004 measure cost billions in revenue and failed to promote jobs or investment within the U.S. Congress should resist the intense pressure from wealthy companies that are essentially asking for another Christmas present from taxpayers.
- **Stop rewarding tax avoidance.** Corporations using offshore tax havens to dodge U.S. taxes should be barred from receiving taxpayer-funded federal contracts.
- **In California, the nation's leader for high-tech, large, publicly-traded corporations should disclose tax payment information to the public.** In 2011, California began allowing large corporations to cherry-pick the formula used to calculate their taxes, which may significantly reduce state revenues. Given the state's ongoing budget crisis, full information on the effect of this change should be a matter of public record.

Introduction

In August 2011, The Greenlining Institute published *Corporate America Untaxed: Tax Avoidance on the Rise,*[1] which examined Fortune 100 companies' uses of foreign subsidiaries to shift profits offshore and avoid taxes while receiving some $89.6 billion in federal contracts. That report expanded on a 2008 analysis of foreign tax havens by the Government Accountability Office.[2]

Since then, President Obama and all of the leading Republican challengers have proposed reforms of the corporate tax code. Details vary, but the proposals generally involve some effort to close loopholes combined with a reduction in corporate tax rates. Meanwhile, a business-backed lobbying campaign, called WIN America, is aggressively pushing for a repeat of the 2004 repatriation tax holiday, which allowed companies to bring profits from overseas subsidiaries back to the U.S. at a sharply discounted tax rate. Given the ongoing debate over the nation's budget deficit, corporate taxation will likely get continued attention regardless of the outcome of the 2012 election.

To further this discussion, we examined in detail the high-tech industry, one of the few areas of the U.S. economy that has boomed even during the recent recession. We focused our analysis on 30 tech-oriented companies listed in the *Fortune* 500. This report provides updated data on cash held overseas by these companies, changes in the numbers of foreign subsidiaries (including those in tax haven countries), and the tax rates paid. (For details of the data used and how companies were chosen for analysis, see *Methodology*). In addition, we analyze the effects of the 2004 tax repatriation law.

The technology sector is one of the most profitable and fastest growing sectors in the United States. Five of the six companies that have ever been valued at half a trillion dollars or more are high-tech companies. Their decisions ripple through the economy and create thousands of jobs. From 2007 to 2011, while employment in many sectors cratered, the IT Services and software industries together created 58,844 jobs.[3] The rise of the tech industry has also led to growing influence in the political sphere. About 10 years ago, Silicon Valley firms ranked 53rd out of all industries in their total amount of lobbying-related spending in Washington. Now, Silicon Valley companies as a group rank fourth nationally. That is more than $1 billion in political spending, or a 250 percent increase in some cases.[4] Finally, we focus on high-tech firms because the current corporate tax system makes it easier for technology companies to shift intellectual property and manufacturing to low-tax countries as compared to industries in which customers and the provision of services are largely domestic.[5]

Over 25 years ago, President Ronald Reagan was horrified by a strikingly similar epidemic of corporate tax dodging, admitting to his Treasury secretary that he "just didn't realize that things had gotten that far out of line."[6] President Reagan and Congress then swept away many corporate loopholes in the Tax Reform Act of 1986. But these reforms have eroded over time, with multiple new loopholes creeping into the tax code. The evidence suggests it is again time for Congress and the president to take bold action to address the glaring inequities in our tax system.

Report Findings

OFFSHORE HOLDINGS UP, TAX RATES DOWN

1. Cash held offshore increased by 21 percent between 2010 and 2011.[7] Twenty-nine corporations had a total of $429.7 billion in cash held offshore in 2011, money that is currently not taxed by the U.S. These companies added $90.4 billion to their offshore cash holdings between 2010 and 2011, a 21 percent increase. The top 10 companies alone held $379 billion offshore, up by $81.8 billion or 21.5 percent from the prior year. General Electric held $102 billion offshore. Apple and Microsoft had the largest jumps in the amount of cash held offshore: $23 billion for Apple and $15 billion for Microsoft.

2. Tech companies' tax rates have plunged. The 30 high-tech companies in our study saw their tax rates decrease from 23.6 percent in 2009 to 19.9 percent in 2010 and just 16 percent in 2011. Collectively, these corporations had a healthy year in 2011, posting $181 billion in profits, yet they paid less as a percentage of income than households making $91,100 a year.[8] The hypothetical top corporate tax rate of 35 percent that has been subject to so much criticism is almost entirely a fiction.

Table: What We Pay in Taxes vs. What High Tech Pays in Taxes

Household income earned per year (2007)*	Income Taxes as Share of Income		30 High Tech Profits by Year (2009-2011)	Income Taxes as Share of Income
$18,400	4.0%		**Year 2009: $98,067,000,000**	23.6%
$42,500	10.6%		**Year 2010: $153,163,000,000**	19.9%
$64,500	14.3%		**Year 2011; $181,450,000,000**	16.0%
$91,100	17.4%			
$264,700	25.1%			

Source: "Average Federal Taxes by Income Group," Congressional Budget Office, June 2010, available at www.cbo.gov/publication/42870.

3. Apple, now the world's most valuable company, has reduced its tax rate even more dramatically. With profits soaring past $34 billion last year and a market capitalization now exceeding $500 billion, Apple's tax rate fell from 24.8 percent in 2009 to 14.7 percent in 2010 and 9.8 percent in 2011. Apple's tax rate over the last three years was less than that of middle-income American households earning an average income of $64,500 per year; its 2011 tax rate was lower than the 10.6 percent rate paid by American households making an average of $42,500 per year.[9] As of the end of fiscal year 2011, Apple had a total of $54.3 billion in deferred foreign income.

4. Some multinationals pay close to nothing in taxes. Advanced Micro Devices, Amazon, and Western Digital Corp, for example, all had a three-year tax rate that was less than or equal to the four percent rate paid by households making $18,400 a year.[10]

5. The number of foreign subsidiaries increased. All 30 of the corporations in our study reported having "significant" subsidiaries[11] in jurisdictions listed as tax havens or financial privacy jurisdictions as defined in the GAO report.[12] On average, each company added 1.8 foreign subsidiaries and 0.7 foreign subsidiaries in tax haven countries from 2010 to 2011.[13] As a group, these firms added a total of 51 foreign subsidiaries and 19 subsidiaries in tax haven jurisdictions. Because the rules for reporting of significant subsidiaries allow omission of subsidiaries that may generate substantial activity, these figures are almost certainly understated. Sixteen of the 30 corporations had 10 or more subsidiaries in tax haven countries. Seven companies had at least half of their foreign subsidiaries in tax haven jurisdictions and five had all of their foreign subsidiaries in tax havens. In 2011, seven jurisdictions listed as tax havens had more than 20 corporate subsidiaries; GE owned 16 of the 86 subsidiaries in Ireland.

6. Dollars received in taxpayer-funded federal contracts increased. Of the 30 companies in our study, 23 received a total $18.7 billion in federal contracts in fiscal year 2011, $76.9 million more than 2010. The top eight federal contract awardees received approximately 98.9 percent of this sum. The contract amounts for these eight firms range from a high of $7.3 billion (SAIC, Inc.) to a low of $157 million (Microsoft). Collectively, this group earned a total of $82.5 billion in worldwide profits and paid an average tax rate of 19.9 percent. As of the end of fiscal year 2011, this group held more than $219.4 billion offshore and had a total of 719 foreign subsidiaries (34 percent of all foreign subsidiaries), including 142 in tax haven countries (33 percent of all subsidiaries in tax haven countries).

Tax Havens	# of corporation subsidiaries
Ireland	86
Singapore	68
Hong Kong	55
Luxembourg	40
Bermuda	33
Cayman Islands	30
Switzerland	27
Total	**339**

Source: Data gathered from company 10-K statements

APPLE, THE TECH INDUSTRY, AND THE AMERICAN PUBLIC

Apple had one of the most successful years on record in 2011. Its profits surpassed all other companies at $34 billion, and in March 2012 Apple's stock value topped $500 billion, making it the world's most valuable company – and one of the six most valuable companies at any point in history. Only Microsoft, ExxonMobil, Cisco, General Electric, and Intel have ever surpassed this threshold. Apple's valuation now exceeds the gross domestic product of oil-rich Saudi Arabia as well as that of many other nations, including Poland, Belgium, Sweden, and Taiwan.

While ingenuity and innovation have driven Apple's triumph, much of its profits have come from U.S. consumers. Americans purchased $41.8 billion of Apple's gadgets in 2011, more than any other country.[14] The U.S. is the only country other than China to account for more than 10 percent of Apple's net sales in 2011. Despite the economic downturn, Americans bought 72.3 million iPhones last year, an 81 percent increase over 2010. Overall, sales of all Apple products in the U.S. increased by 31.5 percent. While not a large federal contractor, Apple did receive over $21 million in U.S. government contracts from 2007 to 2011. Other companies that are wholly or largely in the tech field benefited from much larger amounts of federal contract dollars, including General Electric, IBM, Dell, Oracle, and Microsoft. GE, for example, received $5.8 billion in federal contracts from 2010 to 2011 and IBM received $3.3 billion. Together, these five companies alone received a total of $12.7 billion in taxpayer-funded federal contracts between 2010 and 2011. Altogether, 23 technology companies in our study received $18.7 billion worth of taxpayer-funded federal contracts in 2011.

Table: Profile of the Top 8 High-Tech Companies Receiving Taxpayer-Funded Federal Contracts

Company	Federal Contracts '10-'11	Foreign Subsidiaries '11	Tax Havens '11	Average Tax Paid '10-'11	Undistributed foreign earnings	Worldwide profits '11
SAIC, Inc.	$14,250,977,284	17	1	37.7%	*Not provided*	$883,000,000
Computer Sciences Corp	$8,918,890,607	121	21	4.0%	$2,285,000,000	$968,000,000
General Electric Co	$5,807,409,158	57	28	16.3%	$102,000,000,000	$20,098,000,000
International Business Machines Corp	$3,335,982,691	90	14	23.5%	$37,900,000,000	$17,781,000,000
Dell Inc	$2,875,832,532	188	35	16.2%	$12,300,000,000	$3,350,000,000
Xerox	$435,625,162	239	37	16.3%	$8,000,000,000	$1,565,000,000
Oracle Corp	$458,074,290	2	2	27.6%	$20,400,000,000	$11,411,000,000
Microsoft	$264,125,157	5	4	17.7%	$44,500,000,000	$28,071,000,000
Total	$35,911,291,718	719	142	19.9%	$219,385,000,000	$82,562,000,000

Source: Federal contract obligations can be found at USA Spending, www.usaspending.gov
Note: Contracts prime awardee data includes procurement data downloaded from Federal Procurement Data System as of 03/10/2012.

Apple and other high-tech companies deserve great credit for ingenuity and innovation. But we should not forget that their success is built with U.S. consumer dollars and substantial contributions from taxpayers. In some cases this takes the form of government contracts, but in every case it includes the infrastructure and resources paid for by American taxpayers that make it possible for companies to thrive. A company selling consumer products moves "goods to market on the roads the rest of us paid for [and] hired workers the rest of us paid to educate."[15] Americans and U.S. corporations are bound by a social contract that requires all to contribute our fair share if the United States is to continue to be a place of innovation.

Yet, this relationship has become drastically lopsided in recent decades. Since the mid-1950s, corporations' share of the federal budget has plummeted, from 27 percent to nine percent in 2010.[16] Despite this, corporations have lobbied Congress to further lower the 35 percent U.S. corporate income tax rate – a rate which, as the figures above demonstrate, is largely a sham.

Despite Apple's record profits in 2011, it only paid a 9.8 percent tax rate, lower than the tax rate of a household making less than $42,500 a year.[17] But Apple is no exception.

In 2011, the 30 large tech companies in our study boasted $181 billion in profits, a 15.5 percent jump from 2010, and a whopping 46 percent increase from 2009, and yet they collectively paid a 16 percent tax rate by employing complicated tricks to move profits offshore. Their three-year rate, spanning 2009 to 2011, was 19.1 percent. And some companies paid nothing or close to it. Advanced Micro Devices, Amazon, Broadcom, and Western Digital Corp, for example, all paid as much or less in taxes as a percentage of their income than was paid by households making an average of $18,400 a year.[18]

Table: High-tech Worst Offenders (Ranked by 3-year tax rate) (income in $million)

Company	Income '09-'11	Taxes Paid '09-'11	Tax rate '09-'11	Income '11	Taxes Paid '11	Tax Rate '11	Income '10	Taxes Paid '10	Tax Rate '10	Income '09	Taxes Paid '09	Tax Rate '09
Rockwell Automation	$1,696	-$30	-1.7%	$868	$49	5.7%	$554	-$23	-4.1%	$274	-$56	-20.4%
Western Digital Corp	$2,801	$28	1.0%	$780	$10	1.3%	$1,520	$7	0.5%	$501	$11	2.2%
Advanced Micro Devices	$1,408	$35	2.5%	$491	$9	1.8%	$509	$12	2.4%	$408	$14	3.4%
Broadcom	$2,125	$55	2.6%	$956	$23	2.4%	$1,097	$15	1.4%	$72	$17	23.6%
Amazon	$3,592	$156	4.3%	$934	$33	3.5%	$1,497	$75	5.0%	$1,161	$48	4.1%
HP	$29,371	$3,070	10.5%	$8,982	$1,134	12.6%	$10,974	$1,293	11.8%	$9,415	$643	6.8%
EMC Corp	$7,230	$871	12.0%	$3,249	$323	9.9%	$2,607	$232	8.9%	$1,374	$316	23.0%
Computer Sciences	$2,940	$402	13.7%	$968	$126	13.0%	$1,022	-$47	-4.6%	$950	$323	34.0%
Apple	$64,656	$9,032	14.0%	$34,205	$3,338	9.8%	$18,385	$2,697	14.7%	$12,066	$2,997	24.8%
Xerox	$3,007	$487	16.2%	$1,565	$115	7.3%	$815	$273	33.5%	$627	$99	15.8%
Google	$31,503	$5,542	17.6%	$12,326	$1,471	11.9%	$10,796	$2,175	20.1%	$8,381	$1,896	22.6%
Total	$150,329	$19,649	13.1%	$65,324	$6,631	10.2%	$49,776	$6,709	13.5%	$35,229	$6,308	17.9%

SHIFTING PROFITS OVERSEAS

American technology companies achieve these low tax rates by moving and keeping hundreds of billions of dollars in profits offshore. Last year, the technology companies in our study kept more than $429 billion in offshore accounts, avoiding taxes on these profits. From 2010 to 2011, these companies increased the size of these offshore accounts by $90 billion.

Evidence of profit shifting is seen in the ballooning cash corporations stash offshore, where it is not taxed by the U.S. government. In recent years, U.S. corporations with multinational operations have reported staggering increases in profits offshore while reducing the taxes they pay in the United States.[19]

Until foreign income returns to the U.S. parent corporation, the U.S. tax on such income is deferred. Deferral encourages corporations to shift profits offshore or disguise U.S. profits as foreign profits by creating subsidiaries in a no- or low-tax country since U.S. corporations are not taxed on income earned by foreign subsidiaries until they distribute that income back to the U.S. parent company.[20]

Technically, corporations only defer paying U.S. income taxes on these profits, but these deferrals often begin to look permanent. GE, for example, had deferred U.S. taxes on about $102 billion as of the end of fiscal year 2011.

In practice, corporations rarely repatriate significant portions, thus avoiding U.S. taxes indefinitely.[21] Apple, for example, made $35 billion in pretax profits in 2011 and of that amount, $24 billion was earned overseas. Apple deferred almost all of this, $23.5 billion. As of the end of fiscal year 2011, Apple had $54.3 billion in deferred foreign income.

U.S. companies had amassed at least $1 trillion in foreign profits not taxed in the U.S. due to deferral as of the end of 2009. That cumulative total, based on filings by 135 companies, increased 70 percent over three years, from $590 billion in 2006.[22] Deferral of taxes on income of foreign subsidiaries will cost the U.S. an estimated $199 billion from 2011 through 2015.[23] The technology companies in our study currently hold more than $429 billion in offshore accounts, tax-free.

In an era of large federal deficits and intense discussion of how to reduce them, this is not a trivial matter. The revenue our nation would have collected if these funds stayed in America could help avoid present and future cuts to programs vital to American families.

Table: Taxpayer-funded Federal Contracts Given to High-tech Companies, 2010-2011

Company	Federal Contracts ('10-'11)	Undistributed earnings ('11)	Tax Rate ('10-'11)
SAIC, Inc.	$14,250,977,284	*Not Available*	37.7%
Computer Sciences	$8,918,890,607	$2,285,000,000	4.0%
General Electric	$5,807,409,158	$102,000,000,000	16.3%
IBM	$3,335,982,691	$37,900,000,000	23.5%
Dell Inc	$2,875,832,532	$12,300,000,000	16.2%
Xerox Corp	$926,005,728	$8,000,000,000	16.3%
Oracle	$458,074,290	$20,400,000,000	27.6%
Microsoft	$264,125,157	$44,500,000,000	17.7%
Pitney Bowes	$189,656,879	$940,000,000	29.1%
EMC Corp	$116,292,036	$6,400,000,000	9.5%
Sanmina-SCI Corp	$110,663,088	$364,600,000	17.5%
Rockwell Automation	$20,073,094	$1,906,000,000	1.9%
Cisco	$11,616,316	$36,700,000,000	21.6%
Hewlett-Packard	$7,068,011	$29,100,000,000	12.2%
Intel Corp	$6,218,071	$17,000,000,000	23.5%
Apple	$4,891,970	$54,300,000,000	11.5%
General Cable Corp	$2,334,260	$798,000,000	44.0%
NCR Corp	$1,165,504	$1,200,000,000	62.7%
Amazon	$719,507	$2,000,000,000	4.4%
Applied Materials	$696,000	$1,000,000,000	16.2%
Google	$148,833	$24,800,000,000	15.8%
Yahoo	$93,990	$3,400,000,000	17.3%
Advanced Micro Devices	$88,868	$414,000,000	2.1%
Whirlpool	$69,537	$3,000,000,000	29.9%
Micron Technology	$38,707	$631,000,000	3.9%
Total	$37,309,132,118	$411,338,600,000	17.7%

Source: Federal contract obligations can be found at USA Spending, www.usaspending.gov
Note: The assistance prime awardee data includes agency submissions as of 3/10/2012 and the contracts prime awardee data includes procurement data downloaded from FPDS as of 3/08/2011.

THE REPATRIATION SCAM

The result of the practices described above has been a huge windfall for a relative few, with surprisingly little of this tech wealth reaching the rest of the economy. General Electric, for example, has eliminated a fifth of its workforce in the United States while increasing overseas employment since 2002.[24] During that period, GE's accumulated offshore profits have risen from $15 billion to $102 billion.[25] The situation has become so pronounced that it has become a public relations problem for the companies.

So, perhaps not surprisingly, companies that benefit from tax deferral have proposed a "solution" to this huge amount of money parked offshore: They propose what would essentially be a rerun of the American Job Creation Act of 2004, which permitted U.S. corporations to bring income held outside the country back at an effective rate of 5.25 percent instead of the 35 percent top corporate income tax rate.

A coalition of America's largest multinational corporations has launched an aggressive lobbying campaign for a second tax holiday. Leading this growing coalition, called WIN America, is Chief Executive Officer John Chambers of Cisco Systems Inc., along with other large technology and pharmaceutical firms.[26] Supporting companies, listed at http://www.winamericacampaign.org/supporters/, include Adobe, Apple, Google and Microsoft.

WIN America has already invested $50 million in lobbying efforts, hiring 42 former congressional staffers who worked for either the House Ways and Means Committee or the Senate Finance Committee, the two committees that write the nation's tax rules.[27] WIN America is made up of 18 publicly-traded corporations and 24 trade associations, including the U.S Chamber of Commerce.[28] Fifteen of the eighteen corporations leading the charge for a massive tax holiday repatriated a total $55 billion after the 2004 tax holiday.[29] Three were not part of the 2004 repatriation, including Broadcom, Google, and Loews.

Who Benefited From the 2004 Tax Holiday?

843 companies took advantage of the 2004 tax holiday, while 52 percent of the benefits went to just 15 of the largest American multinational corporations.[30] Pharmaceutical and medicine companies accounted for 32 percent of the total money brought back to the U.S., or $99 billion. The computer and electronic equipment industry accounted for $58 billion or 18 percent of the total. These two industries accounted for half of the repatriations.[31]

Funds were repatriated primarily from low tax or tax haven jurisdictions. Seven of the surveyed corporations repatriated between 90 percent and 100 percent of their funds from tax havens.[32] Intel brought back most of its offshore cash from a Cayman Islands corporation that had no physical office and, according to Intel, "helped reduced the Irish tax on manufacturing operations in Ireland" and facilitated the flow of funds among its other offshore subsidiaries.[33]

Oracle repatriated nearly all of its offshore cash from an Irish subsidiary which had no physical office and was designed, in the words of Oracle, to "facilitate business operations outside the U.S." Although the Irish company itself had no office and no full time employees in the jurisdiction, the four subsidiaries under it had a total of 500 employees.[34]

Company	Total Amount Repatriated	% from Tax Havens
Hewlett Packard	$16,522,078,519	7.3%
IBM	$11,918,494,152	7.4%
Intel	$7,560,218,819	63.8%
Oracle	$3,326,920,000	94.3%
Microsoft	$1,113,952,221	97.0%

Source: Senator Carl Levin, "Repatriating Offshore Funds: 2004 Tax Windfall for Select Multinationals," United States Senate Permanent Subcommittee on Investigations, October 11, 2011, p. 50.

WIN America and its supporters argue that bringing back hundreds of billions of dollars could help stimulate the ailing economy and plug our growing deficit. A study by the Chamber of Commerce estimated that repatriated dollars could increase the gross domestic product by roughly $360 billion and create some 2.9 million new jobs.[35]

It sounds appealing until one looks at the results of the 2004 tax holiday, which did not spur domestic investment or create U.S. jobs as promised.[36]

The tax holiday saw corporations return $312 billion in qualified repatriation dollars to the United States while avoiding a reported $3.3 billion in tax payments.[37]

But instead of adding jobs, the top 15 repatriating corporations reduced their overall U.S. workforce by 20,931 jobs.[38] Evidence also indicates that repatriated funds did not increase overall U.S. research and development, according to a government study of 840 corporations that benefited from the tax holiday.[39] Overall, the 2004 tax holiday cost the U.S. Treasury nearly $106 billion in lost revenue, produced no appreciable increase in U.S. jobs or research investments, and ultimately led to U.S. corporations directing more funds offshore.[40]

If cash brought back to the U.S. did not spur investment and create jobs, where did it go? Much seems to have gone into the pockets of investors and top executives of these corporations. According to a study by the Senate Permanent Subcommittee on Investigations, spending on stock buybacks increased by 16 percent from 2004 to 2005 and rose by 38 percent from 2005 to 2006.[41] The same study found that each dollar of repatriated cash was associated with an increase of between 60 and 92 cents in payouts to shareholders. Annual compensation for the top five executives jumped 27 percent from 2004 to 2005 and another 30 percent from 2005 to 2006, with 10 of the corporations issuing restricted stock awards of $1 million or more to senior executives.[42]

Table: Consequences of the 2004 Tax Holiday

	Top 15 repatriating corporations	840 repatriating corporations
U.S. Jobs Lost	Reduced overall U.S. workforce by 20,931 jobs.	No evidence that repatriated funds increased overall U.S. employment.
Research and Development Expenditures Did Not Accelerate	Showed slight decrease in their U.S R&D expenditures.	No evidence repatriated funds increased overall U.S. research and development outlays.
Stock Repurchases Increased	Spending on stock buybacks increased by 16% from 2004 to 2005 and 38% from 2005 to 2006.	Each extra dollar of repatriated cash was associated with an increase of between 60-92 cents in payouts to shareholders.
Executive Compensation Increased	Of the top 15 repatriating corporations, annual compensation for the top five executives jumped 27% from 2004 to 2005 and another 30% from 2005 to 2006, with 10 of the corporations issuing restricted stock awards of $1 million or more to senior executives.	

Source: "Repatriating Offshore Funds: 2004 Tax Windfall for Select Multinationals," United States Senate Permanent Subcommittee on Investigations, October 11, 2011, p. 4-5.

The Offshore Fund Saga Continues

Since the 2004 tax holiday, the corporations that repatriated substantial sums have built up their offshore funds at a greater rate than before the tax holiday, suggesting that repatriation encouraged increased shifting of corporate dollars and investments offshore in anticipation of another tax holiday.[43] Empirical evidence indicates that corporations will benefit even more than before if another repatriation tax break occurs.[44] The Joint Committee on Taxation calculates that a new version of this tax break could cost the Treasury approximately $78.7 billion in lost tax revenues over 10 years, assuming an 85% decrease in the tax rate.[45]

THE ROLE OF CALIFORNIA

No state has a closer bond between the high-tech sector and its overall economy than California. Silicon Valley is home to some of the nation's largest technology corporations, and even with the development of other high-tech economic centers throughout the United States, it continues to be the leading hub for high-tech innovation and development, accounting for one-third of all venture capital investment in the U.S.[46] California's share of workers in high-tech industries is higher than the national average, representing 4.3 percent of total employment in California as of 2010.[47]

It is not a coincidence, then, that 13 of the 30 companies studied in this report are either incorporated in California or headquartered there. Generally, this group of 13 paid about the same amount in taxes as their national peers, with California companies paying a three-year rate of 17.7 percent. Like the group of 30, these 13 book more than half of their profits offshore, 56.5 percent. Their share of federal contract dollars, however, is small: just 1.5 percent of total federal contract dollars given to high-tech companies.

Table: Comparing 15 California High-tech Companies with 30 Nationwide

	Foreign Profit '09-'11 ($M)	World Wide Profit '09-'11 ($M)	Taxes Paid '09-'11 ($M)	Tax Rate '09-'11	Federal Contracts ('10 -'11) ($M)
CA Companies	$130,458	$230,786	$40,881	17.7%	$559
All 30 Companies	$239,810	$432,682	$84,208	19.6%	$37,309

Table: Companies Incorporated in California or Headquartered in California

Company	Foreign Profit ('09-'11)	World Wide Profit ('09-'11)	Taxes Paid ('09-'11)	Tax Rate ('09-'11)	Federal Contracts ('10+'11)
Advanced Micro Devices	-$1,369,000,000	$1,408,000,000	$35,000,000	2.5%	$88,868
Apple	$43,600,000,000	$64,656,000,000	$9,032,000,000	14.0%	$4,891,970
Applied Materials	$1,790,000,000	$3,279,000,000	$744,000,000	22.7%	$696,000
Broadcom	$2,394,000,000	$2,125,000,000	$55,000,000	2.6%	$0
Cisco	$20,967,000,000	$24,933,000,000	$5,081,000,000	20.4%	$11,616,316
Google	$18,283,000,000	$31,503,000,000	$5,542,000,000	17.6%	$148,833
Hewlett-Packard	$19,736,000,000	$29,371,000,000	$3,070,000,000	10.5%	$7,068,011
Ingram Micro	$897,000,000	$1,095,000,000	$287,000,000	26.2%	$0
Intel Corp	$7,716,000,000	$39,530,000,000	$8,908,000,000	22.5%	$6,218,071
Oracle	$13,083,000,000	$27,488,000,000	$7,589,000,000	27.6%	$458,074,290
Sanmina-SCI Corp	$144,500,000	$125,900,000	$68,400,000	54.3%	$110,663,088
Western Digital Corp	$2,537,000,000	$2,801,000,000	$28,000,000	1.0%	$0
Yahoo	$679,000,000	$2,471,000,000	$442,000,000	17.9%	$93,990
	$130,457,500,000	**$230,785,900,000**	**$40,881,400,000**	17.7%	$599,559,437

HOW TECH COMPANIES GAME THE INTERNATIONAL TAX SYSTEM

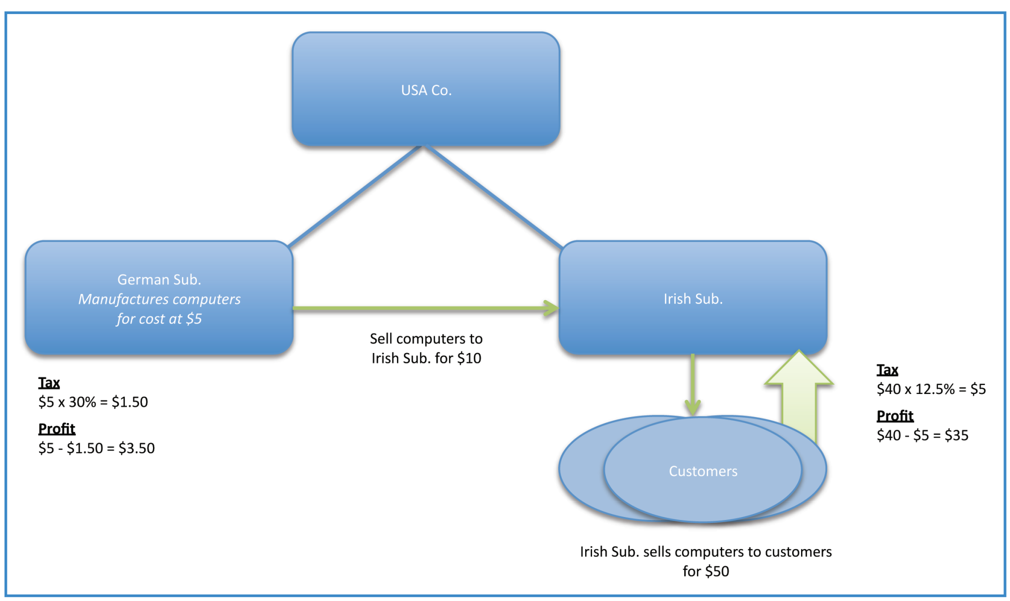
High-tech companies use a variety of techniques to shift profits from one country to another. In *Corporate America Untaxed* we outlined Google's Double Irish/Dutch Sandwich model, used by Google, Facebook, and other companies to lower tax rates. This model uses paper transactions between Google, headquartered in Mountain View, California, and its subsidiaries abroad, allowing Google to allocate expenses and profits among different countries. Below, we examine a similar strategy involving manufacturing.

The Building Blocks

Generally under U.S. tax law, U.S. corporations do not pay tax on their foreign profits until those profits return "home."[48] Until then, U.S. tax on such income is considered deferred. Not all types of income, however, benefit from deferral. When profits have the appearances of being artificially routed through tax havens by the use of foreign subsidiaries and other "related-party" entities, foreign profits are supposed to be taxed immediately.[49] Since some types of income are easily movable from one taxing jurisdiction to another, Congress enacted rules in the 1960s for taxing certain undistributed foreign profits. These rules were created specifically to discourage U.S. firms from using foreign subsidiaries to artificially shift some income from the parent's active business into low-tax jurisdictions.[50]

The example below illustrates transactions arising from activities conducted by a foreign subsidiary of a U.S. parent corporation whose profits are supposed to be taxed immediately:

A U.S. company forms and operates a subsidiary in high-tax Germany, which manufactures computers that will ultimately be sold to customers outside of Germany. But instead of selling the manufactured computers to these customers directly, the German subsidiary sells to the Irish subsidiary at a reduced price. The Irish subsidiary then resells the computers at a much higher price. This way, profits properly attributable to manufacturing in Germany are booked in low-tax Ireland. Because this scheme is recognized as abusive under U.S. statutes, the United States taxes the Irish profits immediately, even though they have not been distributed to the U.S. parent.[51] At least, that is how the law is supposed to work.



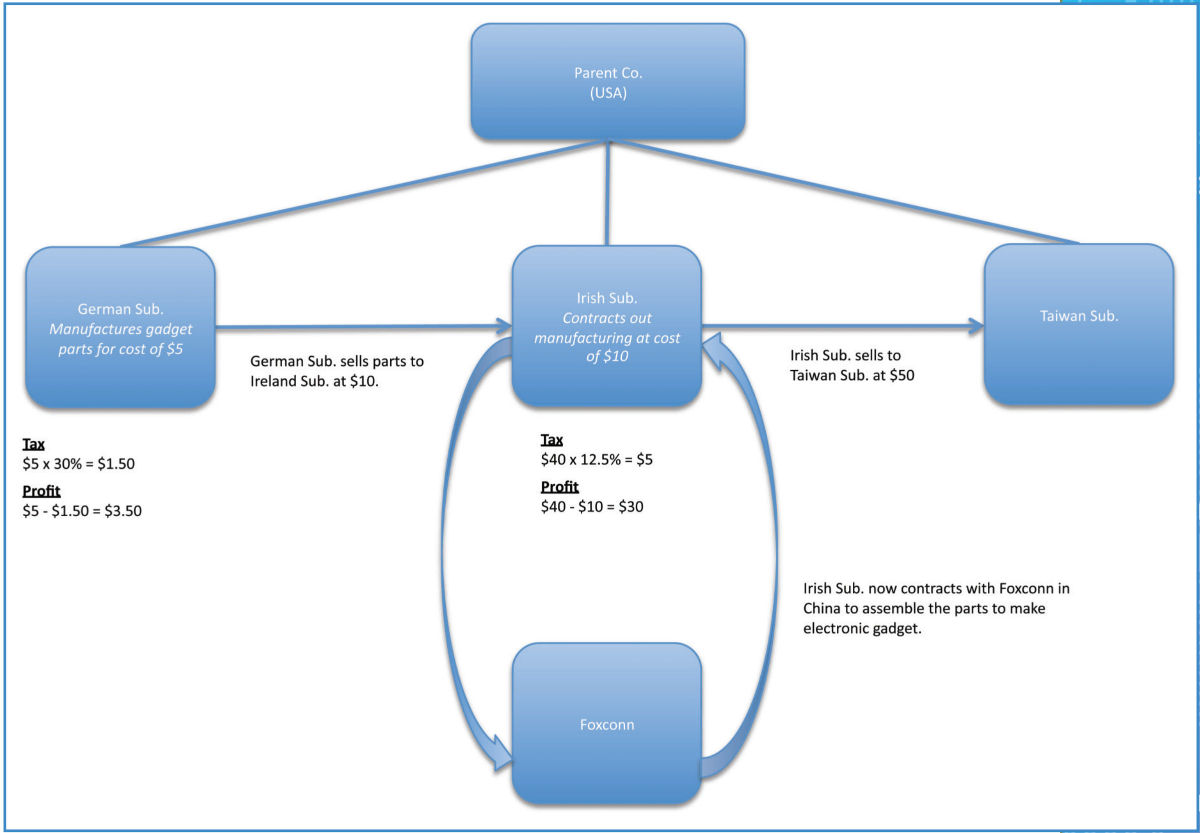
Note: The IRS will tax profits arising from these types of transactions immediately, even though the subsidiary does not distribute to USA Co.

The Growth of Contract Manufacturing

But the laws designed in the 1960s are porous. The new wave of international tax avoidance gets around these rules by using partnerships and other non-corporate entities and by having affiliates conduct services for one another without the physical exchange of goods or materials.[52]

As shown above, routing goods through tax havens and then adjusting transfer prices is one way high-tech corporations lower international taxes. "Because a transaction with a related-party subsidiary in which no significant business activity takes place is a hallmark of tax avoidance, U.S. law reaches the low-tax subsidiary and taxes that profit immediately."[53]

To get around U.S. tax law, suppose that the German subsidiary makes a part of the electronic gadget at a cost of $5. It now sells this part of the electronic gadget to Irish Subsidiary for $10. Instead of manufacturing and assembling the parts into an electronic gadget, Irish Subsidiary hires Foxconn Technology, a Chinese contract manufacturer, to manufacture the products under certain specifications at a cost of $10. Irish Subsidiary then sells the finished gadget to Taiwan Subsidiary at $50 for resale to customers in Asia. Note that most of the profits from producing the gadgets now sit in Ireland, taxed at a favored rate, 12.5 percent. Because of how the U.S. law is structured,[54] there is no U.S. tax on the profits earned in Ireland until it decides to bring cash back in the form of dividend.



Contract manufacturing is a common practice used by many high-tech firms, including Apple. In a similar structure to what is described above, Apple defers its profits from sales of its gadgets by booking them in low-tax countries. All high-tech firms in our study, with the exception of SAIC, which did not provide such information, hold more than $429 billion in cash offshore. Among the top include GE, Apple, and Microsoft. It is not a coincidence that their share of foreign profits as a percentage of world-wide profits eclipsed domestic profits.

Table: Top 9 High-tech Firms Holding the Most Cash Offshore (Undistributed Foreign Earnings)

	Undistributed Foreign Earnings			Foreign Profits as % of World-wide Profits	
Company	'11 (M)	'10 (M)	Change	'11	'10
General Electric	$102,000	$94,000	+$8,000	49.0%	61.3%
Apple	$54,300	$30,800	+$23,500	70.2%	70.7%
Microsoft	$44,500	$29,500	+$15,000	68.4%	61.7%
IBM	$37,900	$31,100	+$6,800	17.6%	13.2%
Cisco	$36,700	$31,600	+$5,100	84.5%	88.3%
Hewlett Packard	$29,100	$21,900	+$7,200	66.2%	63.3%
Oracle	$20,400	$17,700	+$2,700	44.1%	48.1%
Intel	$17,000	$11,800	+$5,200	17.6%	13.2%
Dell	$12,300	$11,300	+$1,000	83.6%	88.9%

Apple, Made in China

"Companies once felt an obligation to support American workers, even when it wasn't the best financial choice. That's disappeared. Profits and efficiency have trumped generosity."[55]
– ***Betsey Stevenson,*** former chief economist at the U.S. Labor Department

As recently as 2002, most of Apple's products were manufactured in the U.S. Now, nearly all, from Macs to iPhones, are made in China.[56] Apple is the envy of many high-tech corporations, in part for its unrelenting mastery of global operations. Last year, it earned over $400,000 in profit per employee, more than Goldman Sachs, Exxon Mobil, or Google.[57]

While Apple employs 43,000 people in the United States and 20,000 overseas, many more work for Apple's contractors: an additional 700,000 people engineer, build and assemble Apple's products,[58] and almost none of them work in the U.S. Instead, they work for foreign companies in Asia, Europe, and elsewhere, at factories that almost all electronics designers rely upon to build their wares.[59] An estimated 90 percent of iPhones' parts are manufactured abroad. Advanced semiconductors have come from Germany and Taiwan, memory from Korea and Japan, display panels and circuitry from Korea and Taiwan, chipsets from Europe, and rare metals from Africa and Asia. And all of it is put together in China.[60]

For Apple, China is attractive for two reasons: Factories in Asia "can scale up and down faster" and "Asian supply chains have surpassed what's in the U.S.," according to one former high-ranking Apple executive.[61] As a result, Apple's entire supply chain is now in China, where iPhones and other Apple products are assembled in Foxconn City.[62] Foxconn Technology has facilities in Asia, Eastern Europe, Mexico, and Brazil, and it assembles an estimated 40 percent of the world's consumer electronics for customers like Amazon, Dell, Hewlett-Packard, Motorola, Nintendo, Nokia, Samsung, and Sony.[63]

Recommendations

1. Congress should pass the Stop the Tax Haven Abuse Act.

In July 2011, Sen. Carl Levin (D-Mich.) in the Senate and Reps. Lloyd Doggett (D-TX), Sander Levin (D-MI), and Rosa DeLauro (D-CT) in the House of Representatives proposed legislation targeting the use of tax havens. A key provision of the bill authorizes Treasury to take specified steps against foreign financial institutions that impede U.S. tax enforcement. It would also prevent companies run from the U.S. from being able to claim foreign status and require annual country-by-country reporting by SEC-registered corporations on employees, sales, financing, tax obligations, and tax payments. Currently, the government does not require firms to distinguish between U.S. and overseas jobs in their public reports. Following the 2004 tax holiday, 58 of the corporations responsible for 70 percent of total repatriated funds slashed nearly 600,000 jobs.[64] Yet, because the government does not require firms to distinguish between U.S. and overseas jobs in their public reports, we do not know precisely how many of those jobs were in the U.S. For a summary of the bill, see:
http://www.levin.senate.gov/newsroom/press/release/summary-of-the-stop-tax-haven-abuse-act-of-2011.

2. Congress should fix the tax code, specifically Subpart F, to end deferral on certain types of income.

Deferral encourages corporations to accumulate profits offshore indefinitely, denying the U.S. billions of dollars in potential revenue. Tightening laws allowing deferral will permit the U.S. to raise revenue and discourage companies from keeping cash offshore indefinitely.

3. Congress should <u>not</u> enact a second corporate tax holiday.

The 2004 tax holiday did not produce the result it promised. Instead, it produced a substantial revenue loss, failed to increase U.S. jobs and created incentives for U.S. corporations to move jobs and investments offshore. In 2011, U.S. corporations had record domestic cash assets of around $2 trillion, indicating that the availability of cash is not constraining hiring or domestic investment. So allowing corporations to repatriate more cash at ultra-low tax rates would be an ineffective way to spur new jobs.[65]

4. Congress should stop rewarding corporate tax evasion by giving these companies federal contracts.

High-tech companies highlighted in this report as sheltering profits in tax havens also reaped federal contracts worth $37.3 billion in 2010 and 2011 combined. Corporations using offshore tax havens to dodge U.S. taxes should be barred from receiving taxpayer-funded federal contracts until their behavior changes.

5. In California, the nation's leader for high tech, large, publicly-traded corporations should disclose tax payment information to the public.

Corporations only report profits at the national level, so states use a process known as "apportionment" to determine how much of a multistate corporation's profits they can tax. The states that levy a corporate income tax calculate the taxable profits on the percentages of property, payroll, and/or sales located in the state. In California, corporations determine the amount of taxes they need to pay to the state using either the traditional "double-weighted sales factor" formula, which weighs the company's property and payroll at 25 percent each, and sales at 50 percent, or using only the amount of their sales. The option to use only sales, or the "elective single-sales factor," was intended to encourage corporations to produce in California and sell into other states.

The 2011 tax year was the first year in which companies were able to use this elective single-sales factor to determine their California taxes. Giving businesses the option to cherry-pick either formula will allow them to pick the one that lets them pay the least in taxes. The Franchise Tax Board estimated that the switch from the mandatory double-weighted sales factor to the elective single-sales factor will reduce state revenues by $900 million annually by 2012-13. However, the true impact that this change will have on the state's revenue is unknown until 2011 tax information can be compared to tax information from prior years. During this difficult budget climate, it is imperative that state policymakers have the information necessary to determine how large of an impact this switch will have on state revenues. State legislation authored by Assemblyman Mike Eng, AB 2439, will disclose which large, publicly-traded corporations are cherry-picking lower tax rates.

Methodology

Choosing the companies

The methodology in this study parallels the methodology of the 2008 GAO report, including the definitions of tax havens, and expands on The Greenlining Institute's previous report, *Corporate America Untaxed: Tax Avoidance on the Rise.* We updated the corporations covered in the original list, focusing on 30 high-tech companies in the Fortune 500.

We identified companies based on a variety of factors, beginning with firms that fall into one of the technology industry categories, which include: semiconductor, electronic computer development or services, computer programming services, computer storage devices, electronic equipment, software services, office machines, circuit board manufacturers, computer peripheral equipment, or computer integrated system design. Second, we eliminated companies that did not have foreign subsidiaries. Because some companies do business in multiple industries, industry classifications are inherently imperfect. Third, we eliminated companies that did not provide sufficient information to accurately determine their federal income taxes; or companies that had a loss in any one of the three years. This left 30 companies.

Identifying foreign subsidiaries in tax havens

To find corporate foreign subsidiaries, we followed the method used by the GAO. We used Form 10-K and Exhibit 21, which are included in the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) database, available at www.sec.gov/edgar, to determine the locations of corporations' subsidiaries based on their latest filings with the SEC at the time of our review. We did not take additional steps to verify the accuracy of information found in EDGAR. Also, since the SEC only requires public corporations to report their "significant" subsidiaries, we were only able to identify the subset of corporate subsidiaries meeting the definition of significant subsidiary. Within Exhibit 21, public corporations may omit information on those subsidiaries that do not constitute significant subsidiaries when considered in the aggregate.

The SEC considers a subsidiary to be significant if (1) the parent corporation's and its other subsidiaries' investments in and advances to the subsidiary exceed 10 percent of the consolidated total assets of the parent corporation and its subsidiaries, (2) the parent corporation's and its other subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the subsidiary exceed 10 percent of the consolidated total assets of the parent corporation and its subsidiaries, or (3) the parent corporation and its other subsidiaries' equity in the income from continuing operations exceeds 10 percent of the consolidated income from continuing operations of the parent corporation and its subsidiaries. Corporations may also omit information on consolidated wholly-owned multiple subsidiaries carrying on the same line of business (such as chain stores). Since the SEC only requires public corporations to report significant subsidiaries, the number of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions for each corporation or federal contractor is likely understated in this report.

Identifying tax haven jurisdictions

We followed the GAO's 2008 methodology. It should be noted that no precise definition of a tax haven exists. The Organization for Economic Development and Cooperation (OCED), defined tax havens as sharing the following features: (a) no or low tax rates; (b) lack of effective exchange of information with foreign tax authorities; (c) lack of transparency; and (d) no requirement of substantial activity.[66] Other sources used characteristics similar to those in describing tax havens to describe offshore financial centers or financial privacy jurisdictions.[67] [68]

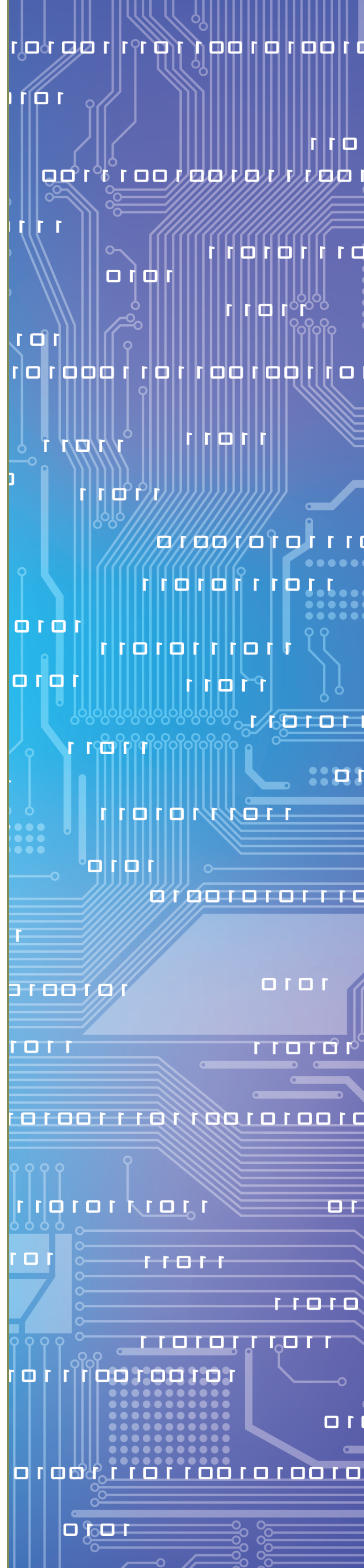
Calculating taxes paid

All public companies list in their SEC 10-K filings how much they think taxes will reduce their profits. This is listed in the 10-K as their "tax expense" or "provision for income tax." However, this is just a provision, a set aside, and not all of this money is sent to the IRS immediately. Some of it never will be paid.[69] The reason for this is that there are two sets of accounting rules—one for the IRS[70] and another for investors and the SEC. Thus, there are legal methods to lower a company's taxes that are nonetheless not allowed by financial accounting rules.[71] As a result, companies routinely overstate on their financial statements to the SEC and their investors how much they pay in taxes.[72] A company may have, for example, "unrecognized tax benefits," which is money it told investors it spent on taxes but never did. According to a tax scholar at the University of North Carolina's Kenan-Flagler Business School, "It's very dangerous to use a company's stated tax expense to make statements about what it actually pays in taxes."[73]

There are three methods used to report a company's tax liability. The first two have to do with the difference between current and deferred tax expenses. A company's current tax expenses are taxes that the company says it owes now. Deferred taxes are taxes the company *may* owe in the future.

The first method calculates a company's tax liability by looking at the current tax expense. Citizens for Tax Justice used this method in its report, *Corporate Taxpayers & Corporate Tax Dodgers*, because this is what the company is mostly likely to actually pay the IRS. The second method calculates tax rates by including a company's current and deferred taxes, because that includes "all the money [the company] is putting aside to pay taxes, which is the company's best guess at what it will eventually owe."[74] Generally, companies use the latter method to calculate their "income tax provision" or "effective tax rate" stated in their 10-K. Tax expert Robert Willens thinks using the current tax expense only is probably closer to reality.[75] Still, both methods appear to be estimates, not what companies actually pay. And both methods of calculating tax rates are based on companies' accounting statements, not its tax returns, which neither the companies nor the IRS are required to release publicly.

The third method, which this report uses, is what a company reports on its 10-K as "cash taxes paid." This is how much a company actually paid in taxes in a given year. But that figure includes the company's taxes paid everywhere, including taxes paid to states, the U.S. federal government, and to other countries. Some of that money could be paid for back taxes and some could eventually be refunded. While imperfect, this is the best estimate of how much a company actually pays in taxes in a given year. Until the government or the Financial Accounting Standards Board requires companies to report more, this is the best figure available.



Finally, this report does not attempt to determine whether corporations engaged in transactions with subsidiaries specifically to reduce taxes. The existence of subsidiaries in jurisdictions listed as tax havens does not prove that a corporation or contractor established that subsidiary for the purpose of reducing its tax burden. Research and literature review, however, do suggest a strong relationship.

Negative tax rates

Generally, a negative tax rate means that a company enjoyed a tax rebate. This can occur by carrying back excess tax deductions and/or credits to an earlier year or years and receiving a tax refund check from the U.S. Treasury Department. Negative tax rates can also result from recognition of tax benefits claimed on earlier years' tax returns, but not reported as a tax reduction in earlier annual reports because the company did not expect that the IRS would allow the tax benefits. If and when these "uncertain tax benefits" are recognized, they reduce a company's reported current income tax in the year that they are recognized.[76]

High effective tax rates

Some companies in our report had effective three-year tax rates that are higher than the 35 percent official corporate tax rate. This is usually due to taxes that were deferred in the past but that eventually came due. Such "turnarounds" often involve accelerated depreciation tax breaks, which usually do not turn around so long as companies are continuing to increase or maintain their investments in plants and equipment. But these tax breaks can turn around if new investments fall off (for example, because a bad economy makes continued new investments temporarily unprofitable).[77]

Federal Contracts

Federal contract obligations can be found at USA Spending, www.usaspending.gov. The assistance prime awardee data includes agency submissions as of 3/10/2012 and the contracts prime awardee data includes procurement data downloaded from FPDS as of 3/08/2011.

Offshore Cash Funds

Offshore cash can be found in companies' 10-K. Companies classify this money as "undistributed foreign earnings for which no U.S. taxes are provided because such earnings are intended to be indefinitely reinvested outside the U.S."

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[5] Testimony of Martin A. Sullivan before the Committee on Ways and Means of the U.S. House of Representatives, January 20, 2011. See also, The Greenlining Institute. (2011). *Corporate America Untaxed: Tax Avoidance on the Rise*, available at http://greenlining.org/resources/pdfs/CorporateAmericaUntaxed.pdf.

[6] Kocieniewski, D. (2011, March 24). "G.E.'s Strategies Letting It Avoid Taxes Altogether." *New York Times.* Retrieved from http://www.nytimes.com/2011/03/25/business/economy/25tax.html?pagewanted=all.

[7] SAIC did not provide undistributed foreign earnings.

[8] Congressional Budget Office. (2010). *Average Federal Taxes by Income Group.* Retrieved from http://www.cbo.gov/publication/42870. See also, Congressional Budget Office. (2010). *Trends in Federal Tax Revenue and Rates.* Households in the bottom fifth quintile made an average $18,400 and paid 4% in income taxes as a share of their income; Second quintile, $42,500, 10.6%; Middle, $64,500, 14.3%; Fourth, $91,100, 17.4%; Highest, $264,700, 25.1%.

[9] Congressional Budget Office. (2010). *Average Federal Taxes by Income.* Retrieved from http://www.cbo.gov/publication/42870.

[10] Ibid.

[11] Companies only have to list "significant subsidiaries" (defined by specific criteria, discussed further in *Methodology*) in their SEC 10-K filings and may omit any subsidiary which, considered in the aggregate, does not constitute a significant subsidiary. Therefore, the actual number of subsidiaries or foreign branches may be significantly higher than the figures listed here.

[12] Government Accountability Office. (2008). *Large U.S. Corporations and Federal Contractors with Subsidiaries in Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions* (GAO-09-157). Retrieved from http://www.gao.gov/products/GAO-09-157.

[13] We removed Oracle from our dataset when calculating the changes in foreign subsidiaries because Oracle is an outlier in the data that seems to represent an anomaly. Oracle reduced its foreign subsidiaries by 326 and subsidiaries in tax havens by 76. No other corporation in our dataset had anything close to such dramatic changes, and Oracle's changes may represent changes in reporting due to the technical definition of "significant" subsidiaries rather than a meaningful change in its foreign operations. The second largest reduction in foreign subsidiaries was Dell, with a decline of 18. With Oracle included, the results are: As a group, the 30 corporations had a total of 2,103 foreign subsidiaries (275 less than 2010), with 427 of located in tax haven jurisdictions (57 less than 2010). Each company, on average, reduced foreign subsidiaries by 9.2 and subsidiaries in tax haven jurisdictions by 1.9 from 2010 to 2011.

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[17] Congressional Budget Office. (2010). *Average Federal Taxes by Income Group.* Retrieved from http://www.cbo.gov/publication/42870.

[18] Congressional Budget Office. (2010). *Average Federal Taxes by Income Group.* Retrieved from http://www.cbo.gov/publication/42870.

[19] Clausing, K.A. (2001). "The Revenue Effects of Multinational Firm Income Shifting." *Tax Notes.* 28 March 2011. 1580-1586. Updated version.
(estimating corporate offshore income shifting resulted in $90 billion in lost U.S. tax revenue in 2008, or roughly 30 percent of federal corporate tax revenue).

[20] The U.S. tax system, under an anti-abuse rule referred to as Subpart F, bars corporations from deferring corporate profits in the form of rent, royalties, interests, dividends, and other types of "passive" income. These "passive" income sources are taxed immediately because otherwise, corporations may easily manipulate them for tax avoidance purposes. Serious loopholes, however, exist. Many U.S. corporations may and do manipulate foreign tax credits to defer taxes on these types of offshore income. Also, in 1997, Congress enacted an exception in subpart F called "active financing," allowing corporations to defer certain insurance and banking income and income from manufacturers' financing of sales of their products. This exception has been extended several times. For more information, see Citizens for Tax Justice. (2011). *Congress Should End 'Deferral' Rather than Adopt a 'Territorial' Tax System.* See also, Congressional Research Service. (2010). *Tax Havens: International Tax Avoidance and Evasion.*

[21] Drucker, J. (2010, October 21). "Google 2.4% Rate Shows How $60 Billion Lost to Tax Loopholes." *Bloomberg.* Retrieved from http://www.bloomberg.com/news/2010-10-21/google-2-4-rate-shows-how-60-billion-u-s-revenue-lost-to-tax-loopholes.html.

[22] Drucker, J. (2010, May 13). "U.S. Companies Dodge $60 Billion in Taxes With Global Odyssey." *Bloomberg.* Retrieved from http://www.bloomberg.com/news/2010-05-13/american-companies-dodge-60-billion-in-taxes-even-tea-party-would-condemn.html.

[23] Ibid.

[24] Kocieniewski, D. (2011, March 24). "G.E.'s Strategies Let It Avoid Taxes Altogether." *New York Times.* Retrieved from http://www.nytimes.com/2011/03/25/business/economy/25tax.html?pagewanted=all.
[25] Ibid.
[26] Drucker, J. (2011, June 29). "Cisco leads push for U.S. tax holiday." *Royal Gazette.* Retrieved from http://www.royal-gazette.com/article/20110629/Business02/70699927. The coalition of corporations leading lobbying efforts includes Adobe, Apple, CA Technologies, Duke Energy, Google, Microsoft, Pfizer, Qualcomm. Since 2005, Cisco has cut its income taxes by $7 billion by booking roughly half of its worldwide profits through a subsidiary located at the foot of the Swiss Alps that employs about 100 people. *See also*, Kocienewski, D. (2011, June 10). "Companies Push for Tax Breaks on Foreign Cash." *New York Times.*
[27] Institute for Policy Studies. (2011). *America Loses: Corporations that take "Tax Holidays" Slash Jobs.* (herein "America Loses"). See also, Blumenthal, P. (2011, March 30). "Tech Companies Lead Lobbying Push for Tax Holidays." Sunlight Foundation.
Retrieved from http://sunlightfoundation.com/blog/2011/03/30/tech-companies-lead-lobbying-push-for-tax-holiday/.
[28] WIN America Campaign homepage. (2012). Retrieved from http://www.winamericacampaign.org.
[29] America Loses, p. 9.
[30] Congressional Research Service. (2010). *Tax Havens: International Tax Avoidance and Evasion.*
[31] Ibid. *See also*, Mock, R.P. & Simon, A. (2008, November 17). "Permanently Reinvested Earnings: Priceless." *Tax Notes*, Vol. 121, No. 7. Their study found that firms with low tax burdens repatriated the most during the 2004 tax holiday. Because pharmaceutical and computer industries predominately have foreign subsidiaries in extremely low-tax jurisdictions, it is likely that a significant portion of their earnings were repatriated from countries such as the Netherlands, Switzerland, Bermuda, and Ireland.
[32] *Repatriating Offshore Funds: 2004 Tax Windfall for Select Multinationals: Hearings before the Permanent Subcommittee on Investigations*, 112th Cong. 4 (2011) (testimony of Senator Carl Levin). (herein "Repatriating Offshore Funds"); *See also*, Congressional Research Service. (2010). *Tax Havens: International Tax Avoidance and Evasion.*
Retrieved from http://www.fas.org/sgp/crs/misc/R40623.pdf. See also, Bradley, S. (2011). Round-tripping of Domestic Profits under the American Jobs Creation Act of 2004.
Retrieved from http://faculty.lebow.drexel.edu/BradleyS/AJCA_tax_holiday_draftSep2011.pdf.
[33] Repatriating Offshore Funds, p. 32.
[34] Repatriating Offshore Funds, p. 32.
[35] "Carl Levin report blasts repatriation tax break." (2011, October 20). *Politico.*
Retrieved from http://www.politico.com/news/stories/1011/65593_Page2.html.
[36] Repatriating Offshore Funds. The America Job Creation Act of 2004 permitted U.S. corporations to bring income held outside the United States back at an effective tax rate of 5.25% instead of the top 35% corporate income tax rate.
[37] Repatriating Offshore Funds, p. 1.
[38] Repatriating Offshore Funds, p. 4.
[39] Repatriating Offshore Funds, p. 4.
[40] Repatriating Offshore Funds, p. 5.
[41] Repatriating Offshore Funds, p. 4
[42] Repatriating Offshore Funds, p. 4.
[43] Repatriating Offshore Funds, p. 4-5; see also See e.g., Sheppard, L.A., & Sullivan, M.A. (2009). "Multinationals Accumulate to Repatriate." *Tax Notes*, 2009 TNT 11-11, at 295-298 (1/19/2009); See e.g., Congressional Research Service Study, at 4, citing Sinai, A. (2008). *Macro Economic Effects of Reducing the Effective Tax Rate on Repatriated Earnings in a Credit-and Liquidity-Constrained Environment.* Decisions Economics, Inc., Economic Studies Series. Across all U.S. corporations, offshore stockpile funds have increased rapidly since 2005, increasing since the 2004 repatriation by 72% for all corporations and by 81% for firms that repatriated under the 2004 tax holiday; Sheppard, L.A., & Brennan, T.J. (2010). "What Happens After a Holiday? Long-Term Effects of the Repatriation Provision of the AJCA." *Northwestern Journal of Law and Social Policy, 5.*; See e.g., Letter from Thomas A. Barthold, Chief of Staff, U.S. Congress Joint Committee on Taxation, to U.S. Representative Lloyd Doggett (4/15/2011). Retrieved from http://doggett.house.gov/images/pdf/jct_repatriation_score.pdf. The JCT determined that the 2004 tax holiday has encouraged corporations to move funds offshore and "encourages investments and/or earnings to be located overseas."
[44] Repatriating Offshore Funds, p. 35.
[45] Letter from Thomas A. Barthold, Chief of Staff, U.S. Congress Joint Committee on Taxation, to U.S. Representative Lloyd Doggett (4/15/2011). Retrieved from http://doggett.house.gov/images/pdf/jct_repatriation_score.pdf. Joint Committee on Taxation indicated that increased offshoring of funds was one of three major components underlying the cost of another repatriation tax break, which JCT calculated would be $78.7 billion over 10 years if an 85 percent decrease in the tax rate were enacted as occurred in 2004, or $41.7 billion over ten years if a 70 percent rate decrease were enacted instead. (Quoted in "Repatriating Offshore Funds," p. 37).
[46] PricewaterhouseCoopers. (2010). *Money Tree Report.*
Retrieved from https://www.pwcmoneytree.com/MTPublic/ns/moneytree/filesource/exhibits/Q1%202010%20MoneyTree%20Report.pdf. Data is as current as April 16, 2010.
[47] Public Policy Institute of California. (2010). *High-tech Employment in California.*
Retrieved from http://www.ppic.org/content/pubs/jtf/JTF_HighTechEmpJTF.pdf.
[48] Sullivan, M. (2008). *Briefing Book: Multinational Corporations, Individual Tax Evasion, and Offshore Tax Havens.*
Retrieved from http://www.taxanalysts.com/www/freefiles.nsf/Files/BriefingBook.pdf/$file/BriefingBook.pdf (herein "Briefing Book").
[49] Doernberg, Richard L. (2009). *International Taxation.* St. Paul, MN: Thomson West.
[50] Ibid. "The subpart F provisions do not generally affect active business operations conducted by a foreign corporation."
[51] Briefing Book, p. 10-11.

[52] Briefing Book, p. 11.
[53] Briefing Book, p. 11
[54] Treasury Regulations § 1.954-3(a)(4)(iv) Income from such sales would not constitute FBCSI and thus not generate subpart F income if the manufacturing company has made "substantial contribution" to the manufacturing. Various considerations are given to when a company has made substantial contribution, the important ones being whether the subsidiary has oversight and control of the manufacturing.
[55] Duhigg, C. & Bradsher, K. (2012, January 21). "How the U.S. Lost Out on iPhone Work." *New York Times.* Retrieved from http://www.nytimes.com/2012/01/22/business/apple-america-and-a-squeezed-middle-class.html?pagewanted=all.
[56] Ibid.
[57] Ibid.
[58] Ibid. Apple's 63,000 workforce of employees is a small fraction of the over 400,000 American workers at General Motors in the 1950s, or the hundreds of thousands at General Electric in the 1980s.
[59] Ibid.
[60] Ibid. In its early days, Apple usually didn't look beyond its own backyard for manufacturing solutions. A few years after Apple began building the Macintosh in 1983, Steve Jobs bragged that it was "a machine that is made in America." As late as 2002, top Apple executives occasionally drove two hours northeast of their headquarters to visit the company's iMac plant in Elk Grove, California.
[61] Ibid. According to a former high-ranking Apple executive, "The entire supply chain is in China now" because if you "need a thousand rubber gaskets[,] [t]hat's the factory next door. You need a million screws? That factory is a block away. You need that screw made a little bit different? It will take three hours." Thus, Asia was attractive only in part because the semiskilled workers there were cheaper. For technology companies, "the cost of labor is minimal compared with the expense of buying parts and managing supply chains that bring together components and services from hundreds of companies." Almost everything you need to produce a gadget is in China.
[62] Ibid.
[63] Ibid.
[64] Klinger,S., Anderson, S., Collins,C., Cavanagh, J., & Pizzigati, S. (2011). *America Loses: Corporations that take "Tax Holidays" Slash Jobs.* Institute for Policy Studies.
[65] Repatriation Offshore Funds, p. 5.
[66] See Organization for Economic Development and Cooperation. (1998). *Harmful Tax Competition: An Emerging Global Issue.*
[67] "**Offshore financial centers** are generally described as jurisdictions that have a high level of nonresident financial activity, and may have characteristics including low or no taxes, light and flexible regulation, and a high level of client confidentiality." **Financial privacy jurisdictions** are generally described as jurisdictions that have strict bank secrecy laws that persons can use to shield their wealth from taxation in their home countries." See, Government Accounting Office. (2008). *International Taxation: Large U.S. Corporations and Federal Contractors with Subsidiaries in Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions* (GAO-09-157). Retrieved from http://www.gao.gov/new.items/d09157.pdf.
[68] In its recent study, the Government Accountab ilty Office (GAO) identified jurisdictions that are considered tax havens or financial privacy jurisdiction, including OCED's list of committed jurisdiction and uncooperative tax havens, the National Bureau of Economic Research (NBER) working paper, which included a list of tax havens that was based on research summarized in Hines and Rice article. See, Hines, Jr., J.R. & Rice, E.M. (1994). "Fiscal Paradise: Foreign Tax Havens and American Business." *The Quarterly Journal of Economics*, 109: 149-182. "A U.S. District Court order granting leave for IRS to serve a 'John Doe' summons, which included a list of jurisdictions that are recognized as offshore tax haven or financial privacy jurisdictions by industry analysts and are actively promoted as such by promoters of offshore schemes." See, Government Accounting Office. (2008). *Large U.S. Corporations and Federal Contractors with Subsidiaries in Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions* (GAO-09-157).
Retrieved from http://www.gao.gov/new.items/d09157.pdf.
[69] Gandel, S. (2012, February 29). "What GE paid in taxes in 2011: Who knows?" *CNN Money.*
Retrieved from http://finance.fortune.cnn.com/2012/02/29/ge-taxes-2011.
[70] See generally, "Accounting Periods and Methods," IRS.
Retrieved from http://www.irs.gov/businesses/small/article/0,,id=98680,00.html.
[71] Stephen Gandel.
[72] Stephen Gandel.
[73] Stephen Gandel.
[74] Stephen Gandel.
[75] Stephen Gandel.
[76] McIntyre, R., Gardner, M., Wilkins, R., & Phillips, R. (2011). *Corporate Taxpayers & Corporate Tax Dodgers.* Citizens for Tax Justice & the Institute on Taxation and Economic Policy.
[77] Ibid.
[78] In its recent study, the Government Accountability Office (GAO) identified jurisdictions that are considered tax havens or financial privacy jurisdiction, including OCED's list of committed jurisdiction and uncooperative tax havens, the National Bureau of Economic Research (NBER) working paper, which included a list of tax havens that was based on research summarized in Hines and Rice article. See, Hines, Jr., J.R. & Rice, E.M. (1994). "Fiscal Paradise: Foreign Tax Havens and American Business." *The Quarterly Journal of Economics*, 109 : 149-182. "A U.S. District Court order granting leave for IRS to serve a 'John Doe' summons, which included a list of jurisdictions that are recognized as offshore tax haven or financial privacy jurisdictions by industry analysts and are actively promoted as such by promoters of offshore schemes Government Accounting Office. (2008). *Large U.S. Corporations and Federal Contractors with Subsidiaries in Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions* (GAO-09-157). Retrieved from http://www.gao.gov/new.items/d09157.pdf.

Appendix

Table: Profit, World-wide profits, and Foreign profits as a percentage of world-wide profits, 2009-2011

Company	Foreign '11	Total '11	Foreign profits as % of total	Foreign '10	Total '10	Foreign profits as % of total	Foreign '09	Total '09	Foreign profits as % of total profit
Advanced Micro Devices	$173	$491	35.2%	-$478	$509		-$1,064	$408	
Amazon	$276	$934	29.6%	$611	$1,497	40.8%	$632	$1,161	54.4%
Apple	$24,000	$34,205	70.2%	$13,000	$18,385	70.7%	$6,600	$12,066	54.7%
Applied Materials	$1,121	$2,378	47.1%	$600	$1,387	43.3%	$69	-$486	
Broadcom	$1,088	$956	113.8%	$868	$1,097	79.1%	$438	$72	608.3%
Cisco	$6,611	$7,825	84.5%	$8,313	$9,415	88.3%	$6,043	$7,693	78.6%
Cognizant Technology Solutions	$825	$1,169	70.6%	$658	$878	74.9%	$485	$637	76.1%
Computer Sciences Corp	$386	$968	39.9%	$575	$1,022	56.3%	$458	$950	48.2%
Dell Inc	$2,800	$3,350	83.6%	$1,800	$2,024	88.9%	$2,700	$3,324	81.2%
EMC Corp	$1,800	$3,249	55.4%	$1,200	$2,607	46.0%	$900	$1,374	65.5%
General Cable Corp	$74	$125	59.0%	$91	$123	73.8%	$131	$97	135.2%
General Electric Co	$9,854	$20,098	49.0%	$8,641	$14,085	61.3%	$9,578	$9,864	97.1%
Google	$7,633	$12,326	61.9%	$5,848	$10,796	54.2%	$4,802	$8,381	57.3%
Hewlett-Packard	$5,943	$8,982	66.2%	$6,947	$10,974	63.3%	$6,846	$9,415	72.7%
Ingram Micro Inc	$258	$388	66.5%	$351	$438	80.1%	$288	$269	107.1%
Intel Corp	$3,122	$17,781	17.6%	$2,119	$16,045	13.2%	$2,475	$5,704	43.4%
IBM	$3,122	$17,781	17.6%	$2,119	$16,045	13.2%	$2,475	$5,704	43.4%
Micron Technology Inc	$294	$551	53.4%	$537	$1,920	28.0%	-$427	-$1,852	
Microsoft	$19,209	$28,071	68.4%	$15,438	$25,013	61.7%	$14,292	$19,821	72.1%
NCR Corp	$304	$49	620.4%	$195	$93	209.7%	$230	$62	371.0%
Oracle	$5,033	$11,411	44.1%	$3,961	$8,243	48.1%	$4,089	$7,834	52.2%
Pitney Bowes Inc	$5	$414	1.2%	$144	$534	27.0%	$140	$693	20.2%
Rockwell Automation Inc	$503	$868	58.0%	$399	$554	72.0%	$209	$274	76.3%
SAIC, Inc.	$9	$883	1.0%	$18	$799	2.3%	$7	$703	1.0%
Sanmina-SCI Corp	$57	$100	57.3%	$79	$139	56.5%	$9	-$113	
Texas Instruments Inc	$1,164	$2,955	39.4%	$782	$4,551	17.2%	$642	$2,017	31.8%
Western Digital Corp	$660	$780	84.6%	$1,418	$1,520	93.3%	$459	$501	91.6%
Whirlpool Corp	$212	-$28		$842	$586	143.7%	$403	$293	137.5%
Xerox Corp	$648	$1,565	41.4%	$382	$815	46.9%	$582	$627	92.8%
Yahoo Inc	$294	$827	35.6%	$198	$1,070	18.5%	$187	$574	32.6%

Table: Total Income, Taxes Paid, and Tax Rate for 2009-2011

Company	Income '11	Taxes Paid '11	Tax Paid Rate '11		Income '10	Taxes Paid '10	Tax Paid Rate '10		Income '09	Taxes Paid '09	Tax Paid Rate '09		Income '09-'11	Taxes Paid '09-'11	Taxes paid rate average '09-'11
Advanced Micro Devices	$491	$9	1.8%		$509	$12	2.4%		$408	$14	3.4%		$1,408	$35	2.5%
Amazon	$934	$33	3.5%		$1,497	$75	5.0%		$1,161	$48	4.1%		$3,592	$156	4.3%
Apple	$34,205	$3,338	9.8%		$18,385	$2,697	14.7%		$12,066	$2,997	24.8%		$64,656	$9,032	14.0%
Applied Materials Inc	$2,378	$472	19.8%		$1,387	$137	9.9%		-$486	$135			$3,279	$744	22.7%
Broadcom	$956	$23	2.4%		$1,097	$15	1.4%		$72	$17	23.6%		$2,125	$55	2.6%
Cisco	$7,825	$1,649	21.1%		$9,415	$2,068	22.0%		$7,693	$1,364	17.7%		$24,933	$5,081	20.4%
Cognizant Technology Solutions	$1,169	$248	21.2%		$878	$127	14.5%		$637	$120	18.8%		$2,684	$495	18.4%
Computer Sciences	$968	$126	13.0%		$1,022	-$47	-4.6%		$950	$323	34.0%		$2,940	$402	13.7%
Dell Inc	$3,350	$435	13.0%		$2,024	$434	21.4%		$3,324	$800	24.1%		$8,698	$1,669	19.2%
EMC Corp	$3,249	$323	9.9%		$2,607	$232	8.9%		$1,374	$316	23.0%		$7,230	$871	12.0%
General Cable Corp	$125	$34	26.8%		$123	$75	61.4%		$97	$39	40.0%		$344	$147	42.8%
General Electric Co	$20,098	$2,900	14.4%		$14,085	$2,671	19.0%		$9,864	$2,535	25.7%		$44,047	$8,106	18.4%
Google	$12,326	$1,471	11.9%		$10,796	$2,175	20.1%		$8,381	$1,896	22.6%		$31,503	$5,542	17.6%
HP	$8,982	$1,134	12.6%		$10,974	$1,293	11.8%		$9,415	$643	6.8%		$29,371	$3,070	10.5%
Ingram Micro Inc	$388	$110	28.4%		$438	$87	19.9%		$269	$90	33.5%		$1,095	$287	26.2%
Intel Corp	$17,781	$3,338	18.8%		$16,045	$4,627	28.8%		$5,704	$943	16.5%		$39,530	$8,908	22.5%
IBM	$17,781	$3,338	18.8%		$16,045	$4,627	28.8%		$5,704	$943	16.5%		$39,530	$8,908	22.5%
Micron Technology Inc	$551	$99	18.0%		$1,920	-$2	-0.1%		-$1,852	$43			$619	$140	22.6%
Microsoft	$28,071	$5,300	18.9%		$25,013	$4,100	16.4%		$19,821	$6,600	33.3%		$72,905	$16,000	21.9%
NCR Corp	$49	$55	112.2%		$93	$34	36.6%		$62	$49	79.0%		$204	$138	67.6%
Oracle	$11,411	$2,931	25.7%		$8,243	$2,488	30.2%		$7,834	$2,170	27.7%		$27,488	$7,589	27.6%
Pitney Bowes Inc	$414	$45	10.9%		$534	$231	43.3%		$693	$198	28.6%		$1,641	$474	28.9%
Rockwell Automation	$868	$49	5.7%		$554	-$23	-4.1%		$274	-$56	-20.4%		$1,696	-$30	-1.7%
SAIC, Inc.	$883	$361	40.9%		$799	$273	34.2%		$703	$269	38.3%		$2,385	$903	37.9%
Sanmina-SCI Corp	$100	$12	12.1%		$139	$30	21.4%		-$113	$27			$126	$68	54.3%
Texas Instruments Inc	$2,955	$902	30.5%		$4,551	$1,470	32.3%		$2,017	$331	16.4%		$9,523	$2,703	28.4%
Western Digital Corp	$780	$10	1.3%		$1,520	$7	0.5%		$501	$11	2.2%		$2,801	$28	1.0%
Whirlpool Corp	-$28	$136			$586	$31	5.3%		$293	$51	17.4%		$851	$218	25.6%
Xerox Corp	$1,565	$115	7.3%		$815	$273	33.5%		$627	$99	15.8%		$3,007	$487	16.2%
Yahoo Inc	$827	$96	11.6%		$1,070	$232	21.7%		574	$114	19.9%		$2,471	$442	17.9%

Table: Cash Held Offshore (Undistributed earnings, 2011) and Federal Contracts Awarded to Corporations

Company	Undistributed earnings from FS '11	Federal Contract, '10-11
Advanced Micro Devices Inc	$414,000,000	$88,868
Amazon	$2,000,000,000	$719,507
Apple	$54,300,000,000	$4,891,970
Applied Materials Inc	$1,000,000,000	$696,000
Broadcom	$2,110,000,000	$0
Cisco	$36,700,000,000	$11,616,316
Cognizant Technology Solutions Corp	$5,566,000,000	-$23,050
Computer Sciences Corp	$2,285,000,000	$8,918,890,607
Dell Inc	$12,300,000,000	$2,875,832,532
EMC Corp	$6,400,000,000	$116,292,036
General Cable Corp	$798,000,000	$2,334,260
General Electric Co	$102,000,000,000	$5,807,409,158
Google	$24,800,000,000	$148,833
Hewlett-Packard	$29,100,000,000	$7,068,011
Ingram Micro Inc	$1,900,000,000	$0
Intel Corp	$17,000,000,000	$6,218,071
International Business Machines Corp	$37,900,000,000	$3,335,982,691
Micron Technology Inc	$631,000,000	$38,707
Microsoft	$44,500,000,000	$264,125,157
NCR Corp	$1,200,000,000	$1,165,504
Oracle	$20,400,000,000	$458,074,290
Pitney Bowes Inc	$940,000,000	$189,656,879
Rockwell Automation Inc	$1,906,000,000	$20,073,094
SAIC, Inc.	$0	$14,250,977,284
Sanmina-SCI Corp	$364,600,000	$110,663,088
Texas Instruments Inc	$4,120,000,000	$5,914
Western Digital Corp	$4,700,000,000	$0
Whirlpool Corp	$3,000,000,000	$69,537
Xerox Corp	$8,000,000,000	$926,005,728
Yahoo Inc	$3,400,000,000	$93,990

Table: Foreign Subsidiaries, Foreign Subsidiaries in Tax Havens, 2010-2011

Company	# Foreign Subsidiaries ('10)	# Foreign Subsidiaries in Tax Havens ('10)	# Foreign Subsidiaries ('11)	# Foreign Subsidiaries in Tax Havens ('11)	#Foreign Subsidiaries Change ('10-'11)	# Foreign Subsidiaries in Tax Havens Change ('10-'11)
Advanced Micro Devices Inc	31	5	31	5	0	0
Amazon Com Inc	2	2	2	2	0	0
Apple Inc	2	2	2	2	0	0
Applied Materials Inc	59	9	54	10	-5	1
Broadcom Corp	4	4	4	4	0	0
Cisco Systems, Inc.	224	39	224	39	0	0
Cognizant Technology Solutions	54	12	61	13	7	1
Computer Sciences Corp	119	20	121	21	2	1
Dell Inc	206	38	188	35	-18	-3
EMC Corp	2	1	3	2	1	1
General Cable Corp	78	9	81	9	3	0
General Electric Co	57	14	57	28	0	14
Google Inc.	2	2	2	2	0	0
Hewlett Packard Co	92	17	101	18	9	1
Ingram Micro Inc	88	27	88	26	0	-1
Intel Corp	20	8	21	8	1	0
IBM	85	14	90	14	5	0
Micron Technology Inc	12	5	13	3	1	-2
Microsoft	5	4	5	4	0	0
NCR Corp	116	25	119	29	3	4
Oracle Corp	328	78	2	2	-326	-76
Pitney Bowes Inc	116	16	111	16	-5	0
Rockwell Automation Inc	90	10	93	9	3	-1
SAIC, Inc.	13	1	17	1	4	0
Sanmina-SCI Corp	65	18	63	17	-2	-1
Texas Instruments Inc	43	8	81	18	38	10
Western Digital Corp	22	8	22	8	0	0
Whirlpool Corp	138	27	136	27	-2	0
Xerox Corp	236	43	239	37	3	-6
YAHOO	69	18	72	18	3	0

List of Tax Haven Countries

The table below is a list of countries listed as tax havens or financial privacy jurisdictions in a recent report by GAO.[78]

Jurisdiction	Organization of Economic Co-operation and Development List (OECD)	National Bureau of Economic Research (NBER)	US District Court order granting leave for IRS to serve a "John Doe" summons
Andorra	Yes	Yes	No
Anguilla	Yes	Yes	Yes
Antigua and Barbuda	Yes	Yes	Yes
Aruba	Yes	No	Yes
Bahamas	Yes	Yes	Yes
Bahrain	Yes	Yes	No
Barbados	No	Yes	Yes
Belize	Yes	Yes	Yes
Bermuda	Yes	Yes	Yes
British Virgin Islands	Yes	Yes	Yes
Cayman Islands	Yes	Yes	Yes
Cook Islands	Yes	Yes	Yes
Costa Rica	No	No	Yes
Cyprus	Yes	Yes	Yes
Dominica	Yes	Yes	Yes
Gibraltar	Yes	Yes	Yes
Grenada	Yes	Yes	Yes
Guernsey[a]	Yes	Yes	Yes
Hong Kong	No	Yes	Yes
Ireland	No	Yes	No
Isle of Man	Yes	Yes	Yes
Jersey[a]	Yes	Yes	Yes
Jordan	No	Yes	No
Latvia	No	No	Yes
Lebanon	No	Yes	No
Liberia	Yes	Yes	No
Liechtenstein	Yes	Yes	Yes
Luxembourg	No	Yes	Yes
Macao	No	Yes	No
Maldives	No	Yes	No
Malta	Yes	Yes	Yes
Marshall Islands	Yes	Yes	No
Mauritius	Yes	No	No
Monaco	Yes	Yes	No
Montserrat	Yes	Yes	No
Nauru	Yes	No	Yes
Netherlands Antilles	Yes	Yes	Yes
Niue	Yes	No	No
Panama	Yes	Yes	Yes
Samoa	Yes	No	Yes
San Marino	Yes	No	No
Seychelles	Yes	No	No
Singapore	No	Yes	Yes
St. Kitts and Nevis	Yes	Yes	Yes
St. Lucia	Yes	Yes	Yes
St. Vincent and the Grenadines	Yes	Yes	Yes
Switzerland	No	Yes	Yes
Turks and Caicos Islands	Yes	Yes	Yes
U.S. Virgin Islands	Yes	No	No
Vanuatu	Yes	Yes	Yes

a) NBER's list included the Channel Islands. Jersey and Guernsey are part of the Channel Islands. The two other sources we used to identify tax havens listed Jersey and Guernsey as two separate tax havens and did not include the Channel Islands on their lists of tax havens. To be consistent, we are including Jersey and Guernsey as tax havens on the bureau's list rather than the Channel Islands.

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