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Major Corporations, Including Intel, Pay No State Income Taxes

Report Confirms Need for Corporate Tax Disclosure, Says OCPP

Many of the nation's Fortune 500 companies — including Intel, Oregon's largest private employer — have paid little or no state income taxes in recent years despite reporting large profits to their shareholders, according to a report released by the Institute on Taxation and Economic Policy (ITEP) and Citizens for Tax Justice (CTJ).

The report, which examined corporate filings with the U.S. Securities and Exchange Commission (SEC), calculated the sum of all state income taxes paid by 265 Fortune 500 companies that were profitable each of the three years studied, 2008 through 2010. Data on file with the SEC did not allow ITEP and CTJ to determine the amounts paid in taxes to particular states.

"The report confirms the need for state corporate disclosure laws," said Chuck Sheketoff, executive director of the Oregon Center for Public Policy. "Oregonians have a right to know which large corporations are using accounting gimmicks, special laws and tax loopholes to avoid paying income taxes on their profits."

Of the 265 corporations studied, 68 paid no net state income taxes in at least one of the years from 2008 to 2010 — even as these companies together reported making almost $117 billion in pre-tax profits in the years when they paid no taxes.

That group included Intel and 19 other Fortune 500 corporations which, when adding up the past three years, paid no net state income taxes. Although Intel paid state income taxes in one of the three years, it had a negative tax rate in the other two years, according to the report. The company, which has large manufacturing facilities in Hillsboro, reported to shareholders $23.3 billion in profits during the three-year period.

International Paper is another Fortune 500 corporation with production facilities in Oregon identified as having paid no net state income taxes over the combined three-year period, though it did pay taxes in one of those years.

The report revealed a wide range of state income tax rates paid by corporations, even among companies in the same industry. For example, Wells Fargo paid state income taxes at a rate of 0.7 percent on $49.7 billion in profits during the three-year period. But another financial services company, J.P. Morgan Chase, had a tax rate of 9.1 percent on $32.7 billion in profits during the same period.

Likewise, McDonald's had a tax rate of 4.8 percent on profits of $8.2 billion, while Yum! Brands (owner of KFC, Pizza Hut and Taco Bell) had a tax rate of -0.4 percent on profits of $1.1 billion.

Such different tax outcomes for profitable corporations in the same line of business underscore the need for disclosure, Sheketoff said.

Although corporations disclose to the SEC the amount of federal taxes and total state income taxes paid, those filings do not reveal how much a company paid to any particular state. The SEC filings also do not indicate what tax subsidies or loopholes a corporation used to arrive at its tax liability.

"We need to level the playing field," said Brian Rae, taxpayer advocate with OSPIRG. "Companies should thrive based on how productive and innovative they are. Not based on their aggressive tax lobbyists and lawyers."

"The SEC filings demonstrate that a company can easily disclose its profits and how much it paid in taxes without revealing any trade secrets," Sheketoff said.

According to ITEP and CTJ, during the three-year period, the 265 corporations identified in the study paid on average 3 percent of their corporate profits to states in income taxes, even though the weighted average statutory corporate income tax rate among all states was about 6.2 percent during 2008-2010.

The two Oregon-headquartered Fortune 500 corporations, Precision Castparts and Nike, paid an effective tax rate of 2.5 percent and 4.9 percent, respectively, during the time period.

Had all 265 Fortune 500 corporations paid the 6.2 percent average state statutory tax rate, states would have had a combined $42.7 billion in additional revenue during those three years, the study said.

The Oregon Center for Public Policy is a non-partisan research institute that does in-depth research and analysis on budget, tax and economic issues. The Center's goal is to improve decision making and generate more opportunities for all Oregonians.