

GE tax issue still rages on

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General Electric Co.'s tax bill is not a joke among constituents, U.S. Rep. [Jim Himes](#), D-Conn., told the Stamford Advocate, but he said it's Congress' fault for not plugging the loopholes in the federal tax system.

"Should they be paying income taxes? Yes. But when my colleagues in Congress call them tax dodgers, I say, no. It's not their fault, it's our fault," Himes told the Advocate's editorial board last week. "We created and allowed the tax loopholes. You can't have those loopholes and then when they take advantage of them call them 'tax dodgers.' It's on us."

Himes said he's been confronted at town hall-style meetings by enraged constituents over the corporate tax issue, and "the rage is warranted."

But the storm over GE's taxes has not prompted much action in Congress. Staff for Himes, GE spokesmen and analysts say there isn't any specific legislation ready for action.

Of course, the wheels might start moving faster as U.S. representatives and senators tour their districts and hear from constituents stirred up by an issue that won't go away.

U.S. Uncut sent out a prank press release this month that said GE would return about \$3.2 billion in tax benefits received from the U.S. Government. The fake statement was picked up by [the Associated Press](#) before being retracted. A protest was staged outside GE's corporate headquarters in Fairfield last week, and GE's taxes have been lampooned by late-night talk show hosts and comedy programs, like "The Daily Show" with [Jon Stewart](#), and been fodder for numerous articles, including an April 20 [New York Daily News](#) story that claimed undocumented workers pay more taxes than GE.

GE has defended its tax bill and maintains that it supports efforts to close loopholes and make the system more fair.

"GE supports enactment of a tax system that is consistent with global norms and allows American companies to compete on a level playing field with their foreign competitors," [Andrew Williams](#), a spokesman for GE, said Monday. "We support tax policies that are consistent with policies encouraging U.S. exports. Our global competitors have tax systems with each of these core principles. The United States cannot afford to be an outlier, as it is now."

GE Chairman and Chief Executive Officer [Jeffrey Immelt](#) said in a speech in March the U.S. tax system is "old, complex and uncompetitive. The purpose of a tax code should be that everyone pays their fair share, including GE. But it should also promote jobs and competitiveness and does the opposite."

He said the nation must close loopholes and lower corporate tax rates to put it "in line with every other developed country in the world."

Amit Khandwala, executive vice president and chief investment officer of Wright Investors' Service, said the U.S. rate is high and has prompted corporations to do what they can to avoid the 35 percent corporate tax rate.

GE is getting attention because it has done a better job at it than anyone else during a difficult time, he said.

"It's a sensitive issue, when your and my taxes are likely to go higher," he said.

According to a review of tax rates by [Wright and Bloomberg News](#), GE had the lowest rate of 33 peer multinationals during the last calendar year.

It paid an effective rate of 7.4 percent. GE rival Hartford-based United Technologies Corp. had an effective rate of 27.9 percent, while [Siemens AG of Germany](#) paid 29.2 percent and [Mitsubishi Corp. of Japan](#) paid 28.9 percent.

Tyco International, which moved to Switzerland two years ago to take advantage of what it called a more "predicable" tax climate, paid 10.9 percent last year.

Khandwala said there is a need for corporate tax policy restructuring as other companies have moved their balance sheets offshore to reduce taxes. But he's not sure there will be any changes.

"Sometimes the Congress can be more irrational than rational and our models are all based on rational behavior," he said.

This is not the first time GE's tax bill has been the focus of intense debate.

In 1984, the [Institute on Taxation](#) and Economic Policy produced a report showing many U.S. corporations not only escaped paying taxes, but received refunds.

"There were bumper stickers that said, 'I paid more taxes than GE,'" said [Rebecca Wilkins](#), senior counsel on Federal Tax Policy at ITEP. "People were taping pennies to postcards and mailing them to Congress," she said, again with the message, "I paid more than GE."

Congress and then-President [Ronald Reagan](#) closed some loopholes following that report. But in 2004, ITEP published another report showing that changes in laws and new tax havens had eroded the rate corporations paid.

The report said between 2001 to 2003, there were 275 companies that earned \$1.1 trillion in pretax profits, but paid an effective rate of 18.4 percent on profits instead of 35 percent.

GE had one year in which it paid no taxes, according to the ITEP.

"We're working on an update," Wilkins said, and indicated there's been no improvement on corporate taxes.

Wilkins said the issue does go to fairness.

The U.S. infrastructure supports what GE and other companies do, she said. The court system enforces contracts. The [Defense Department](#) funds research and buys products.

And, she said, the Commerce and Treasury departments have helped with trade and other issues.

Read more: <http://www.stamfordadvocate.com/news/article/GE-tax-issue-still-rages-on-1352060.php#ixzz1LsyvRU6G>