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Multinational Corporations Would Receive \$413 Billion in Tax Breaks from Congressional Repatriation Proposal

For years, one of the driving forces in the corporate tax debate has been how to best deal with the ever-growing stash of Fortune 500 multinationals' profits being booked offshore, which as of this year stands at more than \$2.6 trillion. According to an analysis by the Institute on Taxation and Economic Policy (ITEP), companies owe an estimated [\\$752 billion](#) in taxes on these offshore earnings.

Rather than making companies pay what they owe, the final legislation reported out of conference proposes to tax accumulated offshore earnings at a rate lower than the 35 percent that they owe under current law. The final bill would tax offshore earnings being held as cash at a rate of 15.5 percent and tax all other offshore earnings at a rate of 8 percent. According to the Joint Committee on Taxation, this proposal would allow U.S. companies to collectively pay about \$339 billion in taxes on their offshore earnings, rather than the roughly \$752 billion that they owe, meaning that this proposal would give U.S. multinationals [a tax break of \\$413 billion](#).

For scoring purposes, the repatriation proposal is being portrayed as a revenue increase, but this is only true when measured over the next 10 years. Over the long-term, this measure could be a revenue loser, and thus using this short-term revenue boost to pay for long-term tax cuts is an accounting gimmick.

The companies that would benefit most from this low-rate deemed repatriation are precisely those companies that have been the most aggressive in their use of offshore tax avoidance schemes. As seen in the chart below, the top 5 companies that publicly disclose how much they owe on their offshore earnings would collectively save \$89.4 billion from a 15.5 percent deemed repatriation rate. Given that a substantial portion of their earnings are likely to be taxed at the lower 8 percent rate, the estimates below represent the most conservative estimate of how much these companies could benefit from the repatriation proposals.

5 Companies With Biggest Tax Breaks From a Repatriation Tax Break

(\$ In Millions)

Company	Unrepatriated Income	Taxes Due on Offshore Profits	Savings from 15.5%
Apple	\$252,300	\$78,555	\$43,766
Microsoft	\$142,000	\$45,000	\$25,071
Oracle	\$47,500	\$15,100	\$8,413
Citigroup	\$47,000	\$13,100	\$7,299
J.P. Morgan Chase & Co.	\$38,400	\$8,800	\$4,903
Subtotal, 5 Companies	\$527,200	\$160,555	\$89,452

Source: ITEP analysis of companies' 10-Ks

Which Companies Benefit the Most

The biggest beneficiary of the deemed repatriation proposal would be **Apple**, the company now most notorious for its international tax avoidance. Under current rules, Apple should pay \$78.6 billion in taxes when its \$252.3 billion in earnings being held offshore are repatriated. This calculation is based on the estimated 3.9 percent tax rate the company has paid to other governments on its offshore earnings. The statutory corporate income tax rate is 35 percent, and the corporate tax code reduces that rate based on the percent already paid. So under current law, Apple would be subject to a 31.1 percent tax on these earnings upon repatriation. In contrast, a deemed repatriation of 15.5 percent would allow the company to pay just \$34.8 billion, representing a \$43.8 billion tax break compared to the \$78.6 billion it would otherwise owe.

Microsoft would save an estimated \$25.1 billion on its \$142 billion in offshore earnings, making it the second biggest known potential beneficiary of the 15.5 percent repatriation proposal. Similarly, **Oracle** would save an estimated \$8.4 billion on its \$47.5 billion in offshore earnings at a 15.5 percent rate.

Some of the nation's largest financial companies would also benefit handsomely from the Senate plan. **Citigroup** would enjoy a \$7.3 billion tax cut, while **JP Morgan Chase** would see a \$4.9 billion tax break.

See the Appendix on the next page to see how much the 58 Fortune 500 companies who disclose how much they owe on their offshore earnings would benefit from the repatriation tax break.

Making Corporations Pay What They Owe

Rather than allowing corporations to receive a substantial tax break on their offshore earnings, lawmakers should require that these companies immediately pay the full 35 percent (minus foreign tax credits) that they owe. Many companies not engaged in offshore tax avoidance routinely pay the full rate. Furthermore, it should be noted that a significant portion of these offshore earnings represent U.S. earnings that have been shifted offshore using accounting gimmicks.

Requiring companies to pay the full rate that they owe would raise around \$752 billion in much-needed revenue, which is several times the yield of the proposed Republican repatriation proposal. This additional revenue would be much more useful to the country if it were used to pay for critical public investments, rather than squandered to pay for a tax rate cut that will have the effect of further subsidizing corporations' already high profits.

For more details on companies' offshore tax avoidance, see our report: [Offshore Shell Games 2017](#)

Appendix

58 Companies would Receive \$138.4 Billion in Windfall from Repatriation Tax Break

Company	Amount Held Offshore (\$ millions)	Tax Rate Owed on Offshore Cash	Estimated U.S. Tax Bill on Offshore Cash	Implied foreign rate	Implied foreign tax paid	Tax at 15.5%	Adjusted Foreign Tax Credit	Net Tax	Savings
Apple	252,300	31.1%	78,555	3.9%	9,750	39,107	4,318	34,789	43,766
Microsoft	142,000	31.7%	45,000	3.3%	4,700	22,010	2,081	19,929	25,071
Oracle	47,500	31.8%	15,100	3.2%	1,525	7,363	675	6,687	8,413
Citigroup	47,000	27.9%	13,100	7.1%	3,350	7,285	1,484	5,801	7,299
J.P. Morgan Chase & Co.	38,400	22.9%	8,800	12.1%	4,640	5,952	2,055	3,897	4,903
Gilead Sciences	37,600	34.8%	13,100	0.2%	60	5,828	27	5,801	7,299
Amgen	36,600	35.0%	12,800	0.0%	10	5,673	4	5,669	7,131
Qualcomm	32,500	35.4%	11,500	-0.4%	-125	5,038	-55	5,093	6,407
Goldman Sachs Group	31,240	19.8%	6,180	15.2%	4,754	4,842	2,105	2,737	3,443
Bank of America Corp.	17,800	27.5%	4,900	7.5%	1,330	2,759	589	2,170	2,730
Western Digital	16,000	31.3%	5,000	3.8%	600	2,480	266	2,214	2,786
Priceline.com	13,000	17.7%	2,300	17.3%	2,250	2,015	996	1,019	1,281
Nike	12,200	33.6%	4,100	1.4%	170	1,891	75	1,816	2,284
Morgan Stanley	12,006	9.3%	1,111	25.7%	3,091	1,861	1,369	492	619
American Express	10,400	30.8%	3,200	4.2%	440	1,612	195	1,417	1,783
Baxter International	9,300	28.0%	2,600	7.0%	655	1,442	290	1,151	1,449
Occidental Petroleum	8,500	1.4%	116	33.6%	2,859	1,318	1,266	51	65
Biogen Idec	7,600	27.0%	2,050	8.0%	610	1,178	270	908	1,142
Air Products & Chemicals	6,301	23.3%	1,468	11.7%	738	977	327	650	818
Bank of New York Mellon Corp.	6,000	20.0%	1,200	15.0%	900	930	399	531	669
Ford Motor	5,700	5.3%	300	29.7%	1,695	884	751	133	167
State Street Corp.	5,500	20.0%	1,100	15.0%	825	853	365	487	613
Adobe	4,200	26.2%	1,100	8.8%	370	651	164	487	613
NetApp	4,000	25.0%	1,000	10.0%	400	620	177	443	557
Symantec	3,900	28.2%	1,100	6.8%	265	605	117	487	613
Paccar	3,860	3.4%	130	31.6%	1,221	598	541	58	72
PPG Industries	3,500	10.0%	350	25.0%	875	543	388	155	195
Walt Disney	3,400	20.6%	700	14.4%	490	527	217	310	390
Hanes	3,286	28.3%	929	6.7%	221	509	98	411	518
Cigna	2,500	13.0%	325	22.0%	550	388	244	144	181
Wells Fargo	2,400	27.2%	653	7.8%	187	372	83	289	364
Viacom	2,200	12.5%	275	22.5%	495	341	219	122	153
Owens Corning	1,800	37.9%	683	-2.9%	-53	279	-23	302	381
Unum Group	1,000	20.0%	200	15.0%	150	155	66	89	111
Tenneco	795	20.0%	159	15.0%	119	123	53	70	89
Gap	682	22.6%	154	12.4%	85	106	38	68	86
Quintiles	670	26.3%	176	8.7%	59	104	26	78	98
Anixter International	656	9.2%	60	25.8%	169	102	75	27	34
AutoZone	572	6.1%	35	28.9%	165	89	73	16	20
Constellation Brands	420	26.2%	110	8.8%	37	65	16	49	61
Lockheed Martin	386	16.6%	64	18.4%	71	60	31	28	36
Ameriprise Financial	321	23.7%	76	11.3%	36	50	16	34	42
Spirit AeroSystems Holdings	290	34.5%	100	0.5%	1	45	1	44	56
Assurant	246	17.2%	42	17.8%	44	38	19	19	24
Arthur J. Gallagher	243	6.4%	16	28.6%	69	38	31	7	9
Clorox	229	26.2%	60	8.8%	20	35	9	27	33
Leucadia National	157	35.0%	55	0.0%	0	24	0	24	31
TreeHouse Foods	142	25.2%	36	9.8%	14	22	6	16	20
Netflix	121	35.0%	42	0.0%	0	19	0	19	24
Michaels	100	20.0%	20	15.0%	15	15	7	9	11
Universal Health Services	99	15.2%	15	19.8%	20	15	9	7	8

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W.R. Berkley	55	11.1%	6	23.9%	13	9	6	3	3
Republic Services	48	35.4%	17	-0.4%	0	7	0	8	9
Dick's Sporting Goods	47	34.5%	16	0.5%	0	7	0	7	9
Group 1 Automotive	46	12.8%	6	22.2%	10	7	5	3	3
Jacobs Engineering Group	26	20.7%	5	14.3%	4	4	2	2	3
AK Steel Holding	26	30.5%	8	4.5%	1	4	1	3	4
Robert Half International	17	12.4%	2	22.6%	4	3	2	1	1
Total	837,886	28.9%	242,306	6.1%	50,955	129,872	22,566	107,307	134,999