



# Questions and Answers on Corporate Taxation

Thanks to Steve Max, Bernie Sanders and the GAO.

Q: Why are we talking about corporate taxes?

A: Corporate taxes are a stark example of the inherent injustice of Capitalism and the war that the rich are waging against the middle class and everyone else. In 1961, corporate income taxes were over 1/3 of federal income tax revenue; today they are half that share. It is the income taxes paid by individuals and small businesses that have made up for the declining share of paid by corporations.

Q: How important are corporate taxes for the Federal government?

A: Corporate income taxes only make up 7% of Federal government tax revenue, while personal income taxes account for 44% and Social Security and Medicare 40%.

Q: Have corporate taxes always been so small?

A: No. In the 1950s and most of the 1960s the top Federal corporate tax rate was 50%. Now it is nominally 35%. During the earlier years, corporate taxes were more than 20% of federal tax revenue.

Q: 35% is still a substantial rate. Are our corporations not making money? Are our corporations in trouble?

A: Not exactly. Two-thirds of U.S. corporations paid no federal income taxes between 1998 and 2005, according to a study by the Government Accountability Office issued by Congress in 2008. This was despite the fact that they were doing very well in those years. Collectively, they reported trillions of dollars in sales. A March 10<sup>th</sup> 2011 report from the Federal Reserve said that American corporations are sitting on a pile of \$1.9 trillion in cash which they are unwilling to spend.

Q: What corporations didn't pay much in taxes?

A: Bernie Sanders has given many examples:

- Exxon Mobil made \$19 billion in profits in 2009. Exxon not only paid no federal income taxes, it actually received a \$156 million rebate from the IRS, according to its SEC filings.
- Bank of America received a \$1.9 billion tax refund from the IRS last year, although it made \$4.4 billion in profits and received a bailout from the Federal Reserve and the Treasury Department of nearly \$1 trillion.
- Over the past five years, while General Electric made \$26 billion in profits in the United States, it received a \$4.1 billion refund from the IRS.
- Chevron received a \$19 million refund from the IRS last year after it made \$10 billion in profits in 2009.

- Boeing, which received a \$30 billion contract from the Pentagon to build 179 airborne tankers, got a \$124 million refund from the IRS last year.
- Valero Energy, the 25th largest company in America with \$68 billion in sales last year received a \$157 million tax refund check from the IRS and, over the past three years, it received a \$134 million tax break from the oil and gas manufacturing tax deduction.
- Goldman Sachs in 2008 only paid 1.1 percent of its income in taxes even though it earned a profit of \$2.3 billion and received an almost \$800 billion bailout from the Federal Reserve and U.S. Treasury Department.
- Citigroup last year made more than \$4 billion in profits but paid no federal income taxes. It received a \$2.5 trillion bailout from the Federal Reserve and U.S. Treasury.
- ConocoPhillips, the fifth largest oil company in the United States, made \$16 billion in profits from 2007 through 2009, but received \$451 million in tax breaks through the oil and gas manufacturing deduction.
- Over the past five years, Carnival Cruise Lines made more than \$11 billion in profits, but its federal income tax rate during those years was just 1.1 percent.

Q: Shouldn't there be laws against this sort of thing?

A: Bernie Sanders has called for closing corporate tax loopholes and eliminating tax breaks for oil and gas companies. He also introduced legislation to impose a 5.4 percent surtax on millionaires that would yield up to \$50 billion a year.

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