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The Corporate Tax Rate Debate:

Lower Taxes on Corporate Profits Not Linked to Job Creation

Center for EFFECTIVE GOVERNMENT

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KEY FINDINGS

The American corporate tax system is badly broken. Some corporations pay more than a third of their profits in federal income taxes, while other equally profitable firms pay nothing at all. On average, corporations pay just 12.6 percent of their profits in federal income taxes, according to a recent study by the U.S. Government Accountability Office.

Corporate and political leaders keep telling us that cutting corporate tax rates will create jobs.

Our examination of the evidence found no relationship between cutting tax rates on corporate profits and job growth.

We examined the job creation track record of 60 large, profitable U.S. corporations (from a list of 280 Fortune 500 companies) with the highest and lowest effective tax rates between 2008 and 2010 and found:

- 22 of the 30 corporations that paid the highest tax rates (30 percent or more) on their reported profits created almost 200,000 jobs between 2008 and 2012. Only eight of the 30 firms paying high tax rates reported reducing the number of employees between 2008 and 2012.

- The 30 profitable corporations that paid little or no taxes over three years collectively shed 51,289 jobs; half of these low-tax firms created some jobs, and half shed jobs between 2008 and 2012.

- Lowe's, the nation's second-largest home improvement store, paid over 36 percent in taxes on reported profits of $9 billion between 2008 and 2010, and hired an additional 28,820 employees between 2008 and 2012.

- Verizon, the nation's largest wireless provider, reported $32 billion in U.S. profits between 2008 and 2010, yet received tax refunds totaling $951 million and reduced the number of employees by almost 56,000 between 2008 and 2012.

In 2004, when a temporary "tax holiday" on offshore profits was put in place, 58 firms brought $218 billion in profits back to the U.S. under the program, for a savings of $64 billion on their taxes. In the following two years, those 58 firms eliminated 600,000 jobs.

In 2012, U.S. corporations reported earning nearly $1.8 trillion in profits. Had they paid the 35 percent tax rate on those profits, total corporate tax receipts would have been $630 billion (rather than the $242 billion they actually paid), and the deficit would have been reduced by nearly a third.

Today, large U.S. corporations report more than $1 trillion in cash or liquid assets. They have the funds to invest in new jobs, should they choose to do so. We found no evidence that cutting the tax rate on corporate profits induces firms to create new jobs in the United States. However, several legal loopholes and deductions do *discourage* job creation in the U.S. and should be eliminated. This would raise significant revenue and make the tax code fairer.

INTRODUCTION

The American corporate tax system is badly broken. Some corporations pay a third or more of their profits in federal taxes, while others pay nothing at all. Still others legally claim large sums as refunds even though they've generated sizeable profits in the United States. The responsible corporations that pay their fair share of taxes – companies like Smuckers, Nordstrom, Hershey, and Automatic Data Processing – are helping to fund the schools, infrastructure, national parks, and public protections that benefit all Americans. And the taxes they pay don't stop them from investing in their businesses and adding new jobs for U.S. workers.

Many corporate leaders agree the U.S. corporate tax code is broken, but they argue that the core problem is that the tax on corporate profits (35 percent) needs to be lowered. Verizon's CEO Lowell McAdam and 16 other CEOs who are members of the RATE Coalition wrote in a joint letter to the leaders of the House Ways and Means Committee and the Senate Finance Committee: "Our competitors in the OECD have lowered their statutory tax rates while the U.S. rate has remained relatively constant. This has resulted in an uncompetitive tax environment that discourages investment and job creation here at home…a lower corporate rate will boost investment in the U.S., bringing more American jobs, innovation and growth." Honeywell CEO Dave Cote co-authored an op-ed with small business owner Keith Stephens that read, "Our current tax code is needlessly complicated and globally uncompetitive. We agree in principle that simplifying the tax code, broadening the base, lowering rates and encouraging economic growth will help to bring down the debt, get the economy growing more meaningfully again and help create new jobs in the U.S."

This paper examines the logic and evidence that lowering the tax rate on corporate profits will help create new jobs in the U.S.

The Taxes Corporations Actually Pay

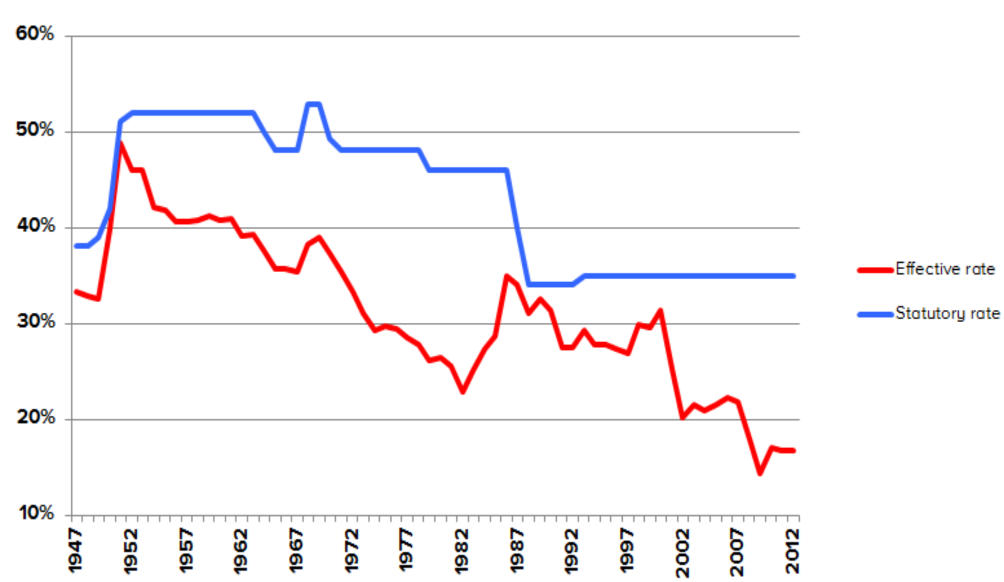
A 2013 study by the U.S. Government Accountability Office found that large corporations paid on average just 12.6 percent of their 2010 profits in federal income taxes.[1] Even when foreign, state, and local taxes were added in, the companies paid only 16.9% of their worldwide profits in taxes in 2010. By contrast, small businesses pay an average tax rate on their profits of 19 percent, according to the Small Business Administration. U.S corporate profits as a share of the economy are at a 50-year high, yet federal corporate tax collections as a share of the economy are near a 50-year low.

Corporations pay taxes on their profits, i.e., on the amount left after employees are paid, raw materials purchased, buildings are tended, CEOs are compensated, etc. After all the bills are paid, the corporation's taxable income is determined, and then an array of corporate tax credits is applied, reducing the firm's tax bill further. By contrast, individuals are taxed on their salary and income before their basic living expenses are deducted.

1 GAO used unpublished data to examine the taxes paid by U.S. corporations with at least $10 million in assets. See *Corporate Income Tax: Effective Tax Rates Can Differ Significantly from Statutory Rates*, http://gao.gov/assets/660/654957.pdf.

The St. Louis Federal Reserve has also tracked the effective corporate tax rate (the taxes on profits corporations actually pay), using public data, which is shown in Figure 1 below. Their estimated effective tax rate is slightly *higher* than the GAO number because they included all corporations, while the GAO report included only large corporations. The data shows that the official U.S. corporate tax rate is at a 65-year low; yet the actual taxes most corporations pay on their profits is even lower.

Figure 1. Statutory vs. Effective (Actual) Tax Rate on Corporate Profits, 1947-2012



Source: Federal Reserve Bank of St. Louis

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The American people look at these facts and see a commonsense solution to the need for more public investments in schools, infrastructure, retirement security, health care, and other national priorities: require profitable corporations to pay more taxes. Multiple polls consistently show the American people want legislators to "close corporate loopholes" and raise revenue from large corporations and the wealthy to prevent cuts to education and infrastructure spending or to Social Security, Medicare, and Medicaid. And a brand new national survey by Hart Associates found that "by a remarkable nine-to-one ratio, voters want revenue generated by closing corporate loopholes or limiting tax deductions for the wealthy to be used for public investment and deficit reduction (82%), not to lower tax rates on corporations or the wealthy (9%). In other words, the public does not support "revenue neutral" corporate tax reform. The public wants corporations to pay more in taxes," according to Americans for Tax Fairness, which commissioned the poll.

But the heads of major tax committees in Congress, lobbied heavily by corporate CEOs, have a different idea. They want to trade the revenue gained from closing corporate tax loopholes for a lower overall corporate tax rate on profits. In other words, they want to lock in lower corporate tax rates under the guise of "simplifying" the tax code. The justification for lowering the statutory tax rate on corporate profits is job creation.

AN EXAMINATION OF THE RELATIONSHIP BETWEEN TAXES PAID AND JOBS CREATED

To examine the relationship between taxes on corporate profits and job creation, we investigated the job creation records of 60 large profitable U.S. corporations. We selected these 60 corporations from a data set of 280 profitable Fortune 500 companies compiled by Citizens for Tax Justice (CTJ).[2] CTJ calculated the actual taxes paid by these 280 firms in 2008, 2009, and 2010. We examined the employment records of the 30 firms with the highest effective tax rates and the 30 firms with the lowest tax rates. We used employment numbers provided in company SEC filings and adjusted these for job additions and decreases related to corporate acquisitions and divestment activity using Internet searches.

2 *Corporate Taxpayers and Corporate Tax Dodgers 2008-2010*. CTJ's report analyzes the tax paying records of 280 Fortune 500 companies that were profitable in each of the three years studied. Firms that were not profitable would not owe taxes making computation of tax rates meaningless. Therefore, CTJ excluded firms that reported losses in any of the three years. In researching corporate employment data, slightly more than half of the companies reported employment figures for U.S. employees. Where companies did not break out U.S. data, we based calculations on global employment and noted this in our table. A full description of methodology is found in Appendix A, and notes on the merger/divestment adjustments for each firm are found in Appendices B and C.

The 30 Firms with Highest Corporate Tax Rates Created Almost 200,000 Jobs

The firms with the highest tax rates on corporate profits (each was over 33 percent) created jobs. As a group they created nearly 200,000 jobs between 2008 and 2012.

The firms with the highest tax rates on corporate profits (each was over 33 percent) created jobs. Collectively, they reported over $100 billion in U.S. profits between 2008 and 2010 and paid more than $36 billion in federal income taxes. As a group, they created nearly 200,000 jobs between 2008 and 2012; only eight of the 30 firms in the high-tax group shed workers over the three years.

Several firms across a diverse array of industries added more than 10,000 jobs. Retailers demonstrated the strongest job growth: Lowe's (added 28,820 jobs), Whole Foods Market (20,100), Ross Stores (18,400), and Best Buy (17,000). Health care providers United Health Care (added 39,665 jobs) and Humana (18,400) also grew their employment despite paying more than a third of their profits in federal income taxes. For-profit college operator Apollo Group (13,469), payroll processing giant Automatic Data Processing (11,930), and Jacobs Engineering (11,700) also added lots of jobs.

Table 1. Job Creation/Shedding Among 30 Firms with Highest Effective Tax Rates 2008-2010

Company	State	3-Yr Tax Rate	2008 Jobs	2012 Jobs	Gross Job Change	Merger Adjust	Final Jobs Chg	*=WW
UnitedHealth Group	MN	33.6%	67,000	133,000	66,000	-26,335	39,665	*
Lowe's	NC	36.2%	216,000	245,000	29,000	-180	28,820	*
Whole Foods Market	TX	36.3%	52,600	72,700	20,100	0	20,100	
Humana	KY	39.1%	25,000	43,400	18,400	0	18,400	
Ross Stores	CA	34.1%	39,100	57,500	18.400	0	18,400	
Best Buy	MN	39.3%	150,000	167,000	17,000	0	17,000	*
Apollo Group	AZ	35.7%	36,418	49,992	13,574	-105	13,469	
Automatic Data Processing	NJ	34.5%	47,000	60,000	13,000	-1,070	11,930	*
Jacobs Engineering Group	CA	34.5%	36,400	48,600	12,200	-500	11,700	*
Pet Smart	AZ	33.0%	43,000	52,000	9,000	0	9,000	*
Home Depot	GA	35.6%	331,000	340,000	9,000	-860	8,140	*
Nordstrom	WA	37.1%	56,500	64,500	8,000	-200	7,800	
Bed, Bath & Beyond	NJ	36.0%	39,000	57,000	18,000	-12,727	5,273	*
Centene	MO	33.6%	3,100	6,800	3,700	0	3,700	
CarMax	VA	33.0%	15,637	18,111	2,474	0	2,474	
Synnex	CA	34.9%	6,052	11,000	4,948	-2,500	2,448	*
St. Jude Medical	MN	37.5%	12,000	15,000	3,000	-590	2,410	*
C.H. Robinson	MN	33.7%	7,332	10,929	3,597	-1,810	1,787	*
Murphy Oil	AR	33.6%	7,539	9,185	1,646	0	1,646	*
Hershey	PA	34.8%	12,800	14,200	1,400	-500	900	*
Illinois Tool Works	IL	34.6%	60,000	60,000	0	900	900	*
J.M. Smucker	OH	34.5%	3,250	4,875	1,625	-1,250	375	*
Franklin Resources	CA	37.3%	8,700	8,600	-100	0	-100	*
Universal Health Services	PA	33.7%	39,900	65,100	25,200	-26,000	-800	
Texas Instruments	TX	33.5%	30,175	34,151	3,976	-5,135	-1,159	*
Coventry Health	MD	40.8%	15,000	14,400	-600	-660	-1,260	
Sealed Air	NJ	35.5%	7,500	7,000	-500	-1,350	-1,850	
Harley-Davidson	WI	38.6%	9,755	6,400	-3,355	0	-3,355	
Express Scripts	MO	37.5%	31,720	30,215	-1,505	-2,400	-3,905	
GAP	CA	34.9%	150,000	136,000	-14,000	0	-14,000	*
							199,908	

* = numbers reflect global employment data; company does not disclose U.S.-specific employee information.

The 30 Firms with Lowest Corporate Tax Rates Collectively Shed More Than 51,000 Jobs

Only half of the 30 corporations with the lowest tax rates added employees between 2008 and 2012. As a group, these firms shed 51,289 jobs between 2008 and 2012.

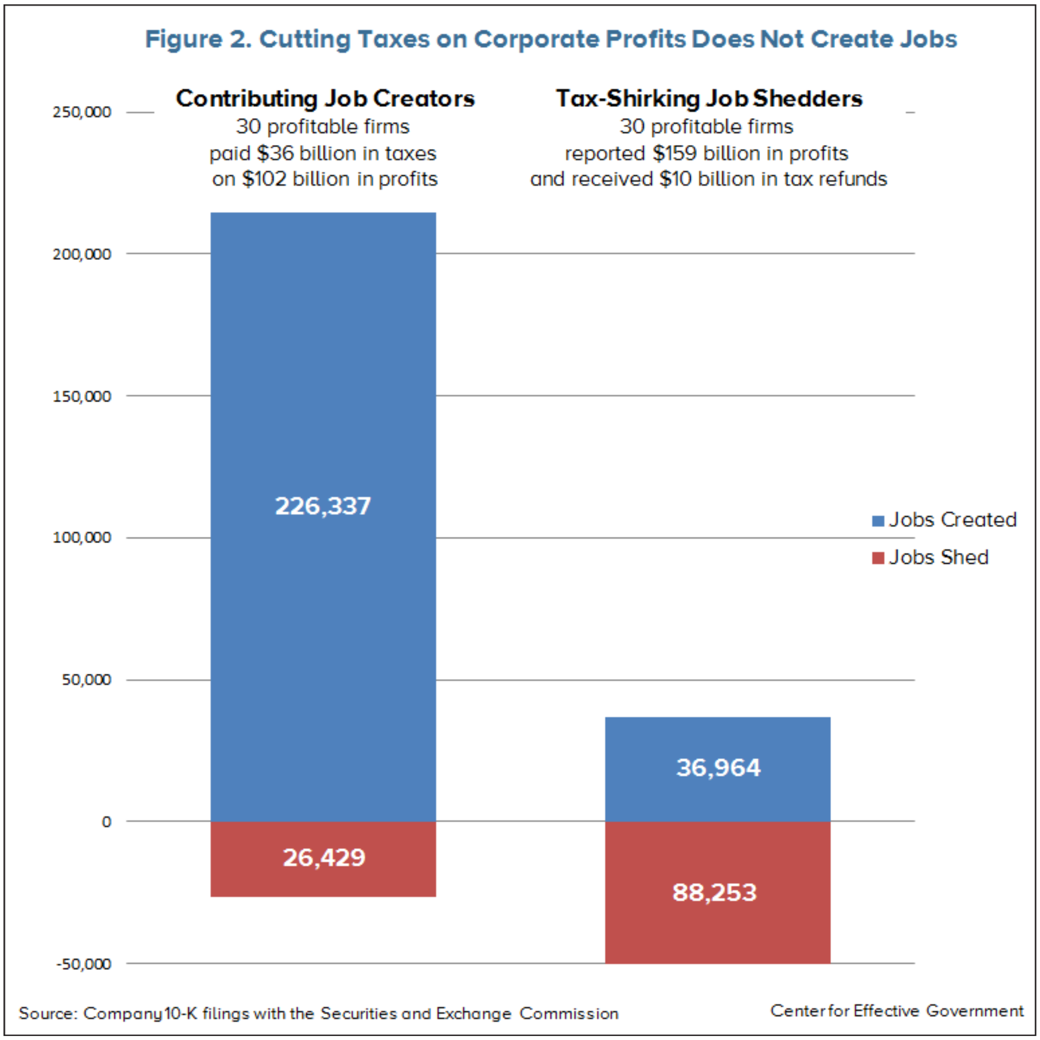
Only half of the 30 corporations with the lowest tax rates added employees between 2008 and 2012. Collectively, these 30 firms reported $159 billion in U.S. profits between 2008 and 2010 and claimed tax refunds of $10.3 billion. As a group, these firms shed 51,289 jobs between 2008 and 2012. (Only two of the firms paid any federal income taxes during the three-year period; the two reported combined profits of $4.5 billion and together created 2,750 jobs.)

In addition to the 55,738 jobs eliminated by Verizon, electric and gas utilities were also well-represented among low-tax firms that shed jobs. The utility companies took advantage of special depreciation deductions that were a part of the 2009 stimulus program and were designed to spur economic growth and job creation. Seven of the 11 public utilities in our survey used stimulus-related tax breaks to reduce their taxes but still shed more than 2,800 jobs.

Table 2. Job Creation/Shedding Among 30 Firms with Lowest Effective Tax Rates 2008-2010

Company	State	3-Yr Tax Rate	2008 Jobs	2012 Jobs	Gross Job Change	Merger Adjust	Final Jobs Chg	*=WW
Verizon	NY	-2.9%	235,000	183,400	-51,600	-4,138	-55,738	
Wells Fargo	CA	-1.4%	159,800	269,200	109,400	-120,000	-10,600	*
Honeywell	NJ	-0.7%	57,000	52,000	-5,000	1,139	-3,861	
Ryder	FL	-7.3%	28,800	27,700	-1,100	-3,000	-4,100	*
Tenet Healthcare	TX	-11.6%	63,264	59,164	-4,100		-4,100	
Mattel	CA	-0.9%	31,100	28,000	-3,000	-188	-3,188	
American Electric Power	OH	-9.2%	20,861	18,513	-2,348		-2,348	
Interpublic Group	NY	-2.6%	19,000	17,600	-1,400		-1,400	
Duke Energy	NC	-3.9%	17,800	27,885	10,085	-11,000	-915	
Consolidated Edison	NY	-3.0%	15,214	14,529	-685		-685	
Wisconsin Energy	WI	-4.9%	4,985	4,504	-481		-481	
CMS Energy	MI	-2.2%	7,898	7,514	-384		-384	
DTE Energy	MI	-0.7%	10,262	9,900	-362		-362	
Pepco Holding	DC	-57.6%	5,131	5,040	-91		-91	
Paccar	WA	-30.5%	21,800	21,800	0		0	*
Integrys Energy	TX	-11.3%	5,231	4,717	-514	570	56	
Atmos Energy	TX	-11.6%	4,653	4,759	106		106	
CenterPoint Energy	TX	-14.7%	8,568	8,720	152		152	
PG&E Corp	CA	-21.2%	20,050	20,583	533		533	
Reinsurance Group of America	MO	0.1%	1,066	1,766	700	-90	610	*
Corning	NY	-0.2%	10,400	11,700	1,300	-625	675	
NiSource	IN	-16.4%	7,607	8,286	679		679	
Navistar	IL	-2.0%	17,200	18,500	1,300		1,300	*
Con-way	MI	-9.1%	27,100	29,100	2,000		2,000	*
Apache	TX	0.6%	3,521	5,976	2,455	-315	2,140	
DuPont	DE	-3.4%	60,000	70,000	10,000	-7,407	2,593	*
General Electric	CT	-45.3%	155,000	134,000	-21,000	23,700	2,700	
NextEra Energy	FL	-2.2%	10,500	14,400	3,900		3,900	
Baxter International	IL	-7.1%	46,000	51,000	5,000	150	5,150	*
Boeing	IL	-1.8%	159,300	174,400	15,100	-730	14,370	*
							51,289	

* = numbers reflect global employment data; company does not disclose U.S.-specific employee information.

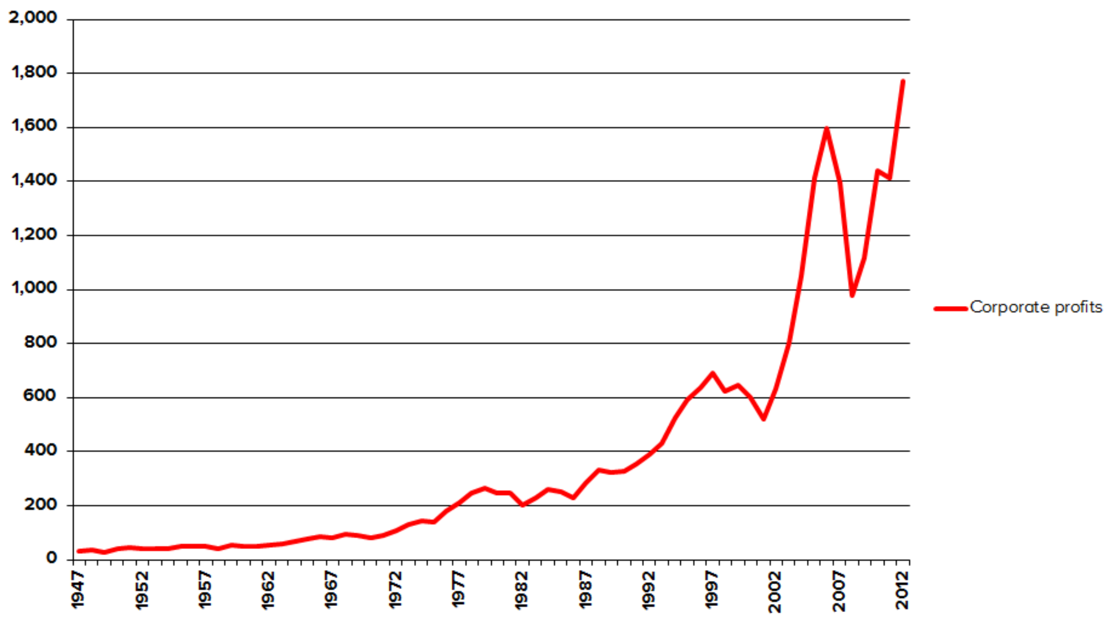


The willingness of individual corporations to invest their profits in expanding their businesses and employing more workers appears to be related to standard economic concerns like customer demand, developments in the industry, and perceptions of the overall health of the economy rather than tax rates paid on annual profits.

CORPORATE PROFITS ARE AT A 50-YEAR HIGH AND TAXES ON THESE PROFITS NEAR A 50-YEAR LOW

Corporate leaders argue that high U.S corporate tax rates are posing a threat to their global competitiveness, yet the reality is that corporate profits are at their highest level since the end of the Second World War. In 2012, U.S. corporate profits were nearly $1.8 trillion. If corporations paid taxes on these profits at the 35 percent statutory rate, total corporate tax payments would have been $630 billion, instead of the $242 billion they actually paid, and the deficit would have been reduced by nearly a third.

Figure 3. Corporate Profits Before Taxes, in billions of dollars, 1947-2012



Source: Federal Reserve Bank of St. Louis

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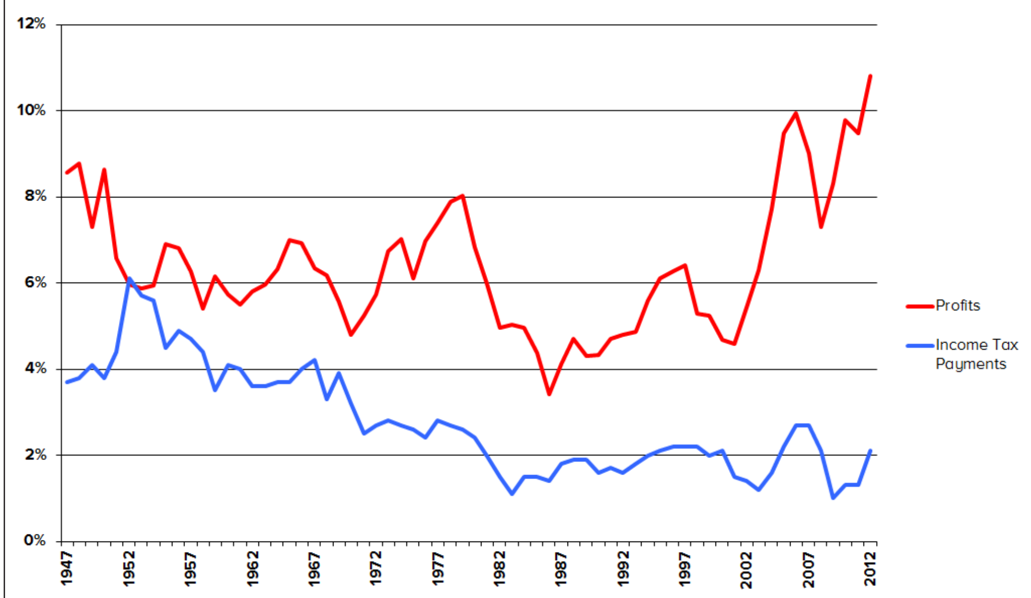
Corporate profits are also a higher share of the overall economy than at any time since World War II, and corporate taxes paid are near post-War lows. The gap between corporate profits and corporate taxes paid has never been greater over the last 67 years.

Figure 4. Corporate Profits and Income Taxes Paid as a Percent of GDP, 1947-2012



Sources: OMB and Federal Reserve Bank of St. Louis — Center for Effective Government

With profits at record highs and tax collection at record lows, it is hardly surprising that America's large corporations have record levels of cash on hand. U.S. corporations in the S&P 500 Index were sitting on more than $1 trillion of cash at the end of the first quarter of 2013. Corporate cash levels have risen steadily since 2009, setting records in 18 of the last 20 months.

Many corporations are using this surplus to buy back their shares. This raises corporate earnings per share but does nothing to create economic activity or job growth. Others are using their idle cash to "merge and purge" – buying-out a competitor and eliminating redundant jobs – or speculating in financial markets instead of expanding business activities that would create new jobs in the U.S. Legal tax deductions and loopholes encourage this behavior. If large corporations wanted to expand their business operations in America, they are more than able to do so with their cash on hand.

HISTORICAL TRENDS SHOW NO RELATIONSHIP BETWEEN TAX RATES AND JOB GROWTH

Looking back over the last 65 years, there is no discernable connection between corporate tax rates and job growth. The following figure shows that job growth vacillates up and down, despite the general decline in effective corporate tax rates. Today's sluggish job growth coincides with a period when America's effective corporate tax rate is near all-time lows.

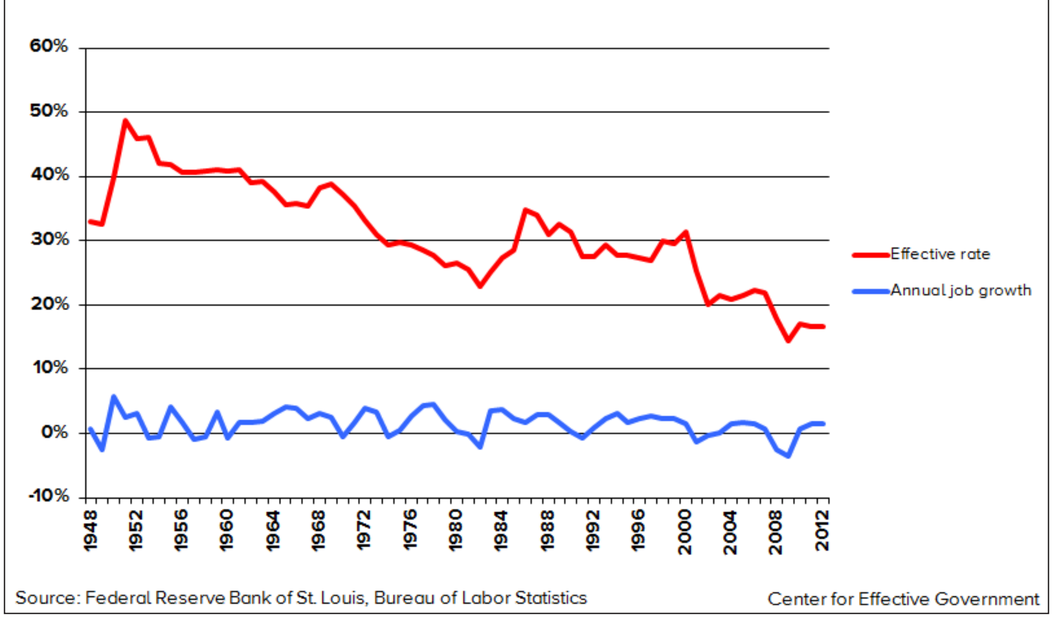


Figure 5. Effective (Actual) Tax Rate on Corporate Profits vs. Annual Job Growth, 1948-2012

PREVIOUS TAX HOLIDAYS HAVEN'T CREATED JOBS

We have one policy test case of the effects of lower tax rates on job creation. In 2004, Congress passed the American Jobs Creation Act. As the title of the legislation suggests, its intent was to boost the domestic economy and create jobs. At the time the act was passed, U.S. corporations were holding about $550 billion in untaxed profits offshore.

Proponents of the legislation argued that the taxes that would be collected if these offshore profits returned to the United States (35 percent less a credit for any taxes paid to foreign governments) provided a powerful disincentive to bring those funds back to the U.S. Supporters argued that lowering the tax rate on those repatriated profits temporarily to just 5.25 percent would encourage hundreds of billions of dollars to flow back into the U.S. economy and so create jobs.

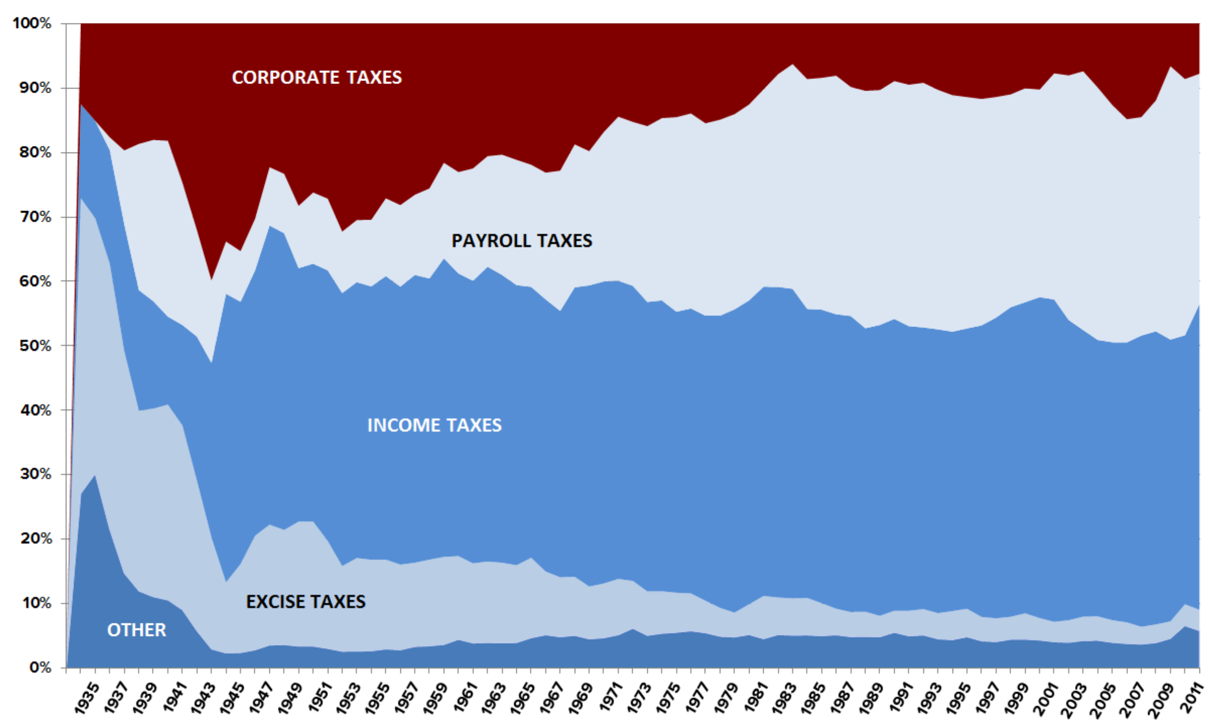
They were half right – the money returned. After the passage of the bill, 843 corporations repatriated $312 billion of foreign profits. But rather than creating jobs, those getting the largest tax windfalls shed huge numbers of jobs. Fifty-eight corporations collectively repatriated $218 billion in offshore profits and saved an estimated $64 billion on their tax bills, according to *America Loses*, a report published by the Institute for Policy Studies. In the two years that followed, those 58 firms eliminated 600,000 jobs.

An analysis of the effectiveness of the impact of the American Jobs Creation Act by a trio of academic researchers (Dhammika Dharmapala, C. Fritz Foley, and Kristin J. Forbes) found that between 60 and 92 percent of the repatriated funds were distributed to shareholders in the form of share repurchases and dividend increases, even though these expenditures were explicitly prohibited by the law.

CORPORATE CONTRIBUTIONS TO SUPPORT OUR NATIONAL STRUCTURES HAVE DECLINED

Corporations are paying a smaller and smaller share of the costs of our national infrastructure – these costs include the legal protections they enjoy, as well as the communications, transportation, trade, and regulatory systems that allow them to do business in America and enable them to make profits. In 1952, when Republican Dwight D. Eisenhower was president, corporate federal income taxes paid 32 percent of the cost of the federal government; in 2012, corporate taxes accounted for less than 10 percent of federal tax receipts. When corporations don't pay their fair share, the costs of our national government are shifted to others – especially the middle class and small business owners.

Figure 6. Corporate Taxes as a Percentage of Federal Revenue, 1935 to 2012



Source: OMB

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TAX REFORMS THAT WOULD CREATE INCENTIVES FOR U.S. JOB CREATION

Although we have found no evidence that tax holidays or lowering taxes on corporate profits will create jobs in the U.S., the corporate tax code does include perverse incentives that encourage some businesses to shift operations and activities overseas. These need to change.

Ending Offshore Tax Abuse

The United States taxes corporations on their profits wherever they are earned in the world. When corporations pay taxes to foreign governments, the U.S. offers a dollar-for-dollar credit to offset U.S. taxes owed. But the tax code also allows U.S. corporations to defer paying any taxes on foreign profits until those profits are returned to the United States. U.S. corporations have exploited this loophole by shifting hundreds of billions of dollars of U.S. profits to foreign tax havens, where they are lightly taxed, if at all.

Most often this is done by registering intellectual property – a trademark or a patent – in a tax haven country. When a customer buys a product in the U.S., the company sends a large portion of the sales price to the tax haven to pay for the use of the patent or trademark. This means a significant piece of the purchase price winds up logged as an offshore profit where it is generally not taxed. This sort of offshore tax abuse by corporations costs the U.S. Treasury an estimated $90 billion a year.

The most comprehensive way of ending this abuse is to repeal the deferral loophole. The Corporate Tax Fairness Act, introduced by Sen. Bernie Sanders (I-VT) and Rep. Jan Schakowsky (D-IL) would do just that and raise $580 billion over the next ten years, enough to undo half of the sequester cuts.

Ending deferral would also reduce the powerful incentive to shift profits and jobs offshore and would begin to restore a level tax playing field between large multinational corporations and their small domestic competitors on Main Street. Closing offshore loopholes restores basic fairness. It assures that all profitable companies pay their fair share to support the public services that sustain all businesses.

At Least Stem the Worst Abuses

If Congress is unwilling to enact comprehensive reforms to end offshore tax abuse, it should at least address the worst of the abuses. The Stop Tax Haven Abuse Act (S. 1533), introduced by Sens. Carl Levin (D-MI), Mark Begich (D-AK), Sheldon Whitehouse (D-RI) and Jeanne Shaheen (D-NH), would outlaw many of the accounting tricks used to shift U.S. profits offshore to low- or no-tax nations. The act would raise at least $220 billion over ten years, according to the Joint Committee on Taxation (JCT). However, the JCT estimates do not take into account enhanced enforcement of tax laws, which the Stop Tax Haven Abuse Act provides for, so it is likely that the bill would raise significantly more revenue than the JCT estimates.

End Tax Deductions for Moving U.S. Operations Overseas

Current tax law allows U.S. corporations to fully deduct from their taxes the costs of moving operations abroad. In addition, corporations are allowed to deduct many of the costs of operating these new foreign plants. These rules provide a strong incentive to shift jobs and investments overseas – where the costs of those foreign plants can reduce current U.S. tax bills, while the taxes due on the profits from those new plants can be deferred, in many cases indefinitely.

President Obama has proposed eliminating deductions for foreign plants unless U.S. taxes are paid on those operations. The president would use the revenue raised from closing this loophole to provide a tax credit to firms that moved foreign factories back to the United States. Sen. Max Baucus (D-MT) has also proposed to eliminate this loophole in his tax reform plan, but he would use the savings to pay for lower corporate tax rates.

DEMAND ACCURATE REPORTING

Improve Corporate Disclosure of Employee Data

Corporations used to list their employment numbers both globally and within the United States in their SEC reporting. Today, fewer and fewer U.S. multinational corporations provide U.S. jobs data, making it difficult to document job-shifting from the U.S. to other countries. Many of the companies analyzed in this report only operate domestically, making U.S. jobs comparisons possible. But without accurate reporting, policymakers and the public can't hold corporations accountable for their promises of job creation. Reforms need to require the disclosure of accurate employment data, by country.

Improve Corporate Disclosure of Tax Information

Corporate tax disclosure has also grown increasingly opaque. A decade ago, the Securities and Exchange Commission imposed uniform disclosure standards for executive compensation. As a result, all public companies report the same CEO pay data in a common format, making comparisons of one firm to another both easy and straightforward. In contrast, corporate tax disclosure has no uniformity. Corporations present rudimentary information on the taxes they expect to pay in a given year, but many are quick to complain that these are not the "real numbers" when they are cited in the media. Corporations should disclose how much they pay in income taxes and to whom those taxes are paid.

Improved tax disclosure would help policymakers and tax collectors see which corporations are reporting billions of dollars of profits in small tax haven countries where they have no sales, employees, or physical assets. The magnitude of offshore tax abuse would be plain to see and create the political will to address the problem.

CONCLUSION

If our goal is to reform the corporate tax code to encourage job creation in the U.S., there are multiple loopholes to target. The evidence shows that locking in lower tax rates on corporate profits is not an effective path to increasing jobs in the U.S.

Corporations receive significant benefits from operating in the United States of America. They have access to the largest consumer market in the world; a workforce educated at public expense; the protections of a business-friendly court system; roads and transit systems that allow employees to get to work and goods to get to customers; consumer safety regulations and inspections that give consumers confidence in products; patent systems to protect intellectual property; and much, much more. When some corporations aggressively lobby for rules that allow them to avoid paying for the services they depend on for their success, they shift the costs of doing business to others and starve the public goods and structures critical to their own success and to the well-being of the nation.

Our research shows that companies in the U.S. can make profits, pay taxes on those profits, and create jobs. Ensuring that all corporations pay taxes on their profits will provide the national government with the revenue needed to invest in modernizing the transportation, information, communications, and energy infrastructure the economy needs to grow. Demanding that corporate actors that benefit from operating in America help pay for the public systems that enable their success will ensure future generations of Americans are able to compete in the global economy and thrive.

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APPENDIX A. METHODOLOGY

Tax Rates – We utilized Citizens for Tax Justice's (CTJ) *Taxpayers and Tax Dodgers 2008-2010* report to derive the 30 corporations with the highest and lowest effective tax rates. In conducting their analysis, CTJ began with the Fortune 500 universe and eliminated companies that did not report U.S. profits in any one of the three years studied. This resulted in 280 of the 500 Fortune 500 corporations being included in their report.

Employment – To determine changes in corporate employment, we first looked at the employment number in each company's Form 10-K reports filed annually with the Securities and Exchange Commission. These reports are all available online here. For companies that do not have a December fiscal year, we used the 10-K filings that covered the periods closest to December 31, 2007 and December 31, 2012.

Disclosure about number of employees is most often found in the opening "Business" section of the 10-K. Disclosure of employment information varies widely between companies. Some break out employment by U.S. and non-U.S. Most, however, do not, and simply provide global numbers. Where U.S. jobs numbers were provided, we used these in the tables in this report; otherwise, we used global numbers. We indicated global numbers with an "*" in the table presenting our findings.

Because employment levels are significantly affected by acquisitions and divestments, we searched the Internet for the number of employees involved in significant merger-related activity. Where this information was publically available, we adjusted employment numbers accordingly, so that corporations did not get credit for creating jobs when it acquired employees in an acquisition or, likewise, was not punished for destroying jobs when employees were transferred to another employer in a divestment. We list our findings and adjustments by company in Appendices B and C. In some cases, we found information about the number of employees of acquired firms from social media sites, which presented this information as a range. If no other information was available to determine otherwise, we used the midpoint of the range and reported the number of employees affected as "estimated." In several cases, we could not determine the number of employees impacted by acquisitions or divestitures; we reported this as "not disclosed" and made no adjustments to employment data for these firms.

We used the years 2008-2012 to measure job growth for two reasons. First, we wanted to allow time for the economy to recover from the depths of the 2008 recession. Second, it is often argued that tax rates create a positive climate for job creation, so we wanted to allow sufficient time for the effective tax rates experienced between 2008 and 2010 to have a longer-term effect. In short, we were trying to see whether, in response to higher tax rates, companies reduced their employment, or, in response to lower tax rates, they acted on incentives for hiring and expanded their workforce.

APPENDIX B. NOTES ON COMPANIES WITH LOWEST CORPORATE TAX RATES

Apache	Acquired Mariner Energy (2010) with 240 employees. Acquired Cordillera Energy Partners (2012) with an estimated 75 employees.
Baxter International	Acquired Bexa (2011) with 600 employees. Divested generic injectables business (2010) with 750 employees.
Boeing	Acquired Federated Software (2008) employees affected not disclosed. Acquired Digital Receiver Technology (2008) with 370 employees. Acquired Insitu (2008) with 360 employees.
Center Point Energy	Acquired Asgard Energy (2011) employee impact not disclosed. Computer Sciences Computer Sciences was among the corporations with the lowest tax rates between 2009 and 2010 according to Citizens for Tax Justice. The company has undergone substantial changes in its portfolio, acquiring and divesting large parts of its business. It has not disclosed employee impacts of any of these transactions. Because we cannot estimate merger related adjustments with any degree of confidence, we excluded Computer Sciences from the study.
Consolidated Edison	Sold 5 plants to North American Generating Alliance (2008) – employees affected not disclosed.
Corning	Acquired Discovery Labware business of Becton Dickinson (2012) with estimated 500 employees worldwide. Acquired Mediatech (2011) with estimated 125 employees.
Duke Energy	Company has small number of employees in Latin American, otherwise all domestic. Acquired Progress Energy (2012) with 11,000 employees.
DuPont (E.I.)	Acquired Danisco (2011) with 7,000 employees. Acquired MECS (2011) with estimated 350 employees. Acquired Innovlight (2011) with 57 employees.
El Paso	El Paso was included in Citizens for Tax Justice list of firms with the lowest tax rate. It was acquired by Kinder Morgan in 2012, and did not report employee totals for 2012, so it was excluded from our report.
General Electric	Divested NBC Universal (2009) with 30,000 U.S. employees, Acquired Dresser Industries (2010) with 6,300 U.S. employees.

Honeywell	Honeywell reported a decline of 5,000 U.S. jobs between 2008 and 2012. The company also made several acquisitions and divested one division. In most cases it is not possible to discern the share of jobs acquired and divested in the United States. To give the company the benefit of the doubt, we have ascribed all 2,000 jobs divested as U.S. positions, and included 1,461 acquired jobs from the one purchase where these numbers were disclosed. Taken together, Honeywell shed 4,461 U.S. jobs between 2008-2012. Acquisition and divestment details follow: Acquired EMS Technologies (2011) with 1,160 employees. Acquired Sperian Protection (2010) with 6,000 employees throughout the world. Acquired Intermec (2012) with 2,214 employees, two-thirds of whom are in U.S. Acquired Thomas Russell Co. (2011), affected employees not disclosed. Acquired King's Safety Wear (2011) with 1,500 employees, mostly in Asia. Divested consumer products division (2011) with 2,000 employees.
Integrys Energy	Divested Integrys Energy Group (2009) with 570 employees.
Interpublic Group	Acquired Nicole Weber Communications (2012) employee impact not disclosed. Acquired FUSE Agency in UK (2012) em-ployee impact not disclosed.
Mattel	Acquired HIT Entertainment (2011) with 188 employees.
NextEra Energy	Sold four natural gas plants in 2011, but did not disclose number of employees affected.
Reinsurance Group of America	Acquired ING Reinsurance Group (2010) with 90 employees.
Ryder	Ryder disclosed 16,000 hourly workers in the U.S. in 2008 and 17,000 hourly workers in the U.S. in 2012. Acquired Scully Companies (2011) employee impacts not disclosed. Acquired Total Logistics Control (2011) with estimated 3,000 employees, largely in U.S.
Tenet Healthcare	Tenet acquired and disposed of individual health care facilities over the period, but did not disclose the employees affected by any transaction.
Verizon	Divested landline business to Frontier Communications (2010) with 11,000 employees. Acquired Alltel (2008) with 16,104 employees, was later required to divest 6 percent of Alltel customers – employee impact not disclosed. We assumed net addition of 15,138, 6 percent fewer employees than acquired in 2008.
Wells Fargo	Acquired Wachovia (2008) with 120,000 employees.

APPENDIX C. NOTES ON COMPANIES WITH HIGHEST CORPORATE TAX RATES

Apollo Group	Includes full- and part-time employees. Acquired Carnegie Learning (2011) with 105 employees.
Automatic Data Processing	Automatic Data Processing has a June 30 fiscal year. We used June, 2008 and June, 2013 as comparative periods for job analysis. Acquired Wallace Training Tax Credit Co (2011) with estimated 30 employees. Acquired payroll business of Randstad Holding NV (2012) with 200 employees. Acquired human resources support business of SHPS, Inc. (2012) with 840 employees.
Bed, Bath & Beyond	Acquired Linen Holdings (2012) with 6,600 employees. Acquired CostPlus (2012) with 6,127 employees. Acquired buy buy Baby (2012) employee impact not disclosed.
Best Buy	Includes full and part-time.
C.H.Robinson	Acquired Phoenix International (2012) with 2,000 employees. Divested T-Chek Payment Services (2012) with 190 employees.
Coventry Health	Coventry was acquired by Aetna in early 2013, but released 2012 employment information which made inclusion possible. Acquired Children's Mercy's Family Health Partners (2012) no employees affected. Acquired Preferred Health Plans (2010) with 240 employees. Acquired Mercy Health Plans (2010) with 420 employees. Divested First Health Services (2009) employee impacts not disclosed. Acquired MHN Behavioral Health (2008) employee impacts not disclosed. Acquired Group Dental Services (2008) employee impact not disclosed.
Express Scripts	Tax data from Citizens for Tax Justice was based on predeces-sor company, Medco Cost Containment. Express Scripts and Medco merged in 2012. Express Scripts acquired WellPoint's pharmacy benefit manager unit (2009) with an estimated 2,400 employees.
Harley-Davidson	Acquired MV Augusta (2008) and sold it two years later. No employee impacts reported. We assumed a wash and did not include any merger related adjustments.
Hershey	Includes full- and part-time employees. Acquired Brookside Foods (2011) with 500 employees.
Home Depot	Includes full- and part-time employees. Acquired Redbeacon (2012) with 30 employees. Acquired Us Home Systems (2012) with 830 employees.
Humana	Acquired Arcadian Management Services (2012) no employee impacts disclosed, no adjustments included.
Illinois Tool Works	Divested ITW Finishing with 900 employees.
J.M. Smucker	Acquired Procter & Gamble's Folgers unit (2008) with 1,250 employees.
Jacobs Engineering Group	Excludes temporary project employees. Acquired KlingStubbins (2011) with 500 employees.
Lowe's	Includes full- and part-time employees. Acquired ATG Stores (2011) with 180 employees.
Nordstrom	Company provided employment numbers for end of fiscal year and also Dec. 31st of each year, we used Dec. 31st numbers. Acquired HauteLook (2011) with 200 employees.
Sealed Air	Acquired Diversey (2011) with 10,170 employees, 1,350 of whom were in the U.S.

St. Jude Medical	Acquired AGA Medical (2010) with 550 employees; Acquired Light Lab Imaging (2010) with 40 employees.
Synnex	Acquired e4e (2010) with 2,500 employees. Acquired Jack of All Trades (2009) employee impacts not disclosed.
Texas Instruments	Acquired National Semiconductor (2011) with 5,000 employees. Acquired Luminary Micro (2009) with estimated 125 employees. Acquired CICLON Semiconductor (2009) with an estimated 50 employees. Acquired Innovative Design Solutions (2008) employee impacts not disclosed. Acquired Commergy Technologies (2008) employee impacts not disclosed. Sold cable modem business to Intel (2010) with 40 employees.
UnitedHealth Group	Acquired Sierra Health (2008) with 3,000 employees. Acquired XL Health (2012) with 335 employees. Acquired Unison Health Plans (2008) with estimated 1,000 employees. Acquired Fiserv Health Inc (2008) with 3,200 employees. Acquired Preferred Care Partners (2012) with estimated 350 employees. Acquired Medica HealthCare (2012) with estimated 1,100 employees. Acquired Connextions (2011) with 8,000 employees. Acquired i3 clinical development business from Ingenix (2011) with 2,800 employees. Acquired Campbell Alliance (2011) with estimated 350 employees. Acquired Axolotl (2010) with estimated 350 employees. Acquired Executive Health Resources (2010) with 2,500 employees. Acquired Picis (2010) employee impacts not disclosed. Acquired Quality Metrics (2010) employee impacts not disclosed. Acquired Wellness Inc. (2010) employee impacts not disclosed. Acquired CareMedic Systems (2009) with estimated 350 employees. Acquired AIM Healthcare Services (2009) with an estimated 3,000 employees.
Universal Health Services	Acquired Psychiatric Solutions (2010) with 23,000 employees. Acquired Ascend Health Corp. (2012) with estimated 3,000 employees.
Whole Foods Market	Includes full- and part-time employees.

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