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Despite FATCA, U.S. Companies Stash \$2.1 Trillion Abroad---Untaxed

Individual Americans worldwide may be constrained by FATCA to report all their offshore money and pay U.S. tax on all their worldwide income. But U.S. companies where the real money is have a better deal. And their offshore cash hoard is growing. Eight of the biggest U.S. technology companies added \$69 billion to their offshore profits, a [total stash of \\$2.1 trillion that avoids taxes](#). Everyone knows why, too.

Bloomberg News counts Microsoft, Apple, Google and five others account for over a fifth of the \$2.10 trillion U.S. companies keep abroad. Last year, a study called [Offshore Shell Games](#) from the U.S. PIRG Education Fund and Citizens For Tax Justice says over 70% of Fortune 500 companies use offshore tax havens. And the offshore cash is concentrated too.

30 top companies own 62% of the cash, \$1.2 trillion in tax havens. As long as they keep it squirreled away offshore, it's tax-protected. Meanwhile, individuals are paying up to 39.6% in federal tax (not to mention FBARs and Form 8938). Individuals must declare their worldwide income on their taxes. Individuals may even be attributed offshore income that isn't distributed to them.



It makes you want to be a company, doesn't it? Especially if you could be one of the Fortune 500. According to the report, offshore tax loopholes used by U.S. corporations cost America \$90 billion every year. Although a common corporate mantra is 'everyone does it,' the report says a small subset is most aggressive. The report says:

- At least 362 Fortune 500 companies operate over 7,500 subsidiaries in tax haven jurisdictions. The 30 companies with the most money offshore have 1,357 tax haven subsidiaries.
- About 64% of the companies have their shelter subsidiaries in Bermuda or the Cayman Islands. The "profits" the companies **claim** they earn there? 1,643% of Bermuda's and 1,600% of Caymans' entire yearly economic output! Think the U.S. is getting a raw deal?
- The 30 companies with the most money offshore holds almost \$1.2 trillion overseas, a whopping 62% of what all Fortune 500 companies have.
- 55 companies disclose the U.S. taxes they **would pay** without the offshore gambit: \$147.5 billion in taxes—the entire budgets of California, Virginia, and Indiana combined.
- The average tax rate these 55 companies currently pay in other countries? 6.7%

Companies highlighted in the study include:

- Apple: has \$111.3 billion offshore—more than any other company.
- Nike: pays 2.2% overseas, on the \$6.7 billion it books offshore.

- Pfizer has 128 subsidiaries in tax havens, \$69 billion in profits offshore, third highest among the Fortune 500. Pfizer tried for Astra Zeneca to get its offshore profits in the U.S. tax-free.
- Citigroup had 427 tax haven subsidiaries in 2008 but only 21 by 2013. Yet Citigroup doubled its offshore cash in those years. Citigroup 8.3% tax offshore.

Yet for individuals, the last six years of IRS crackdowns show that Americans must pay U.S. tax on their worldwide income, period. More than a few big U.S. companies with far-flung operations go to extreme lengths to situate income offshore. Why not deposit it where it's taxed at a fraction of the U.S. 35% corporate tax rate?

There are lots of ways of doing it, including via the location and handling of intellectual property. U.S. law seems to invite putting IP somewhere where the revenue will be taxed at a low rate. Individuals can't do that? By comparison, individual Americans who pay tax at up to 39.6% on their worldwide income may at times feel as if they're getting a raw deal.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.