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Offshore Tax Dodging Blows a $106 Million Hole in West Virginia Budget: New U.S. PIRG Study Exposes the Real Cost of Tax Loopholes for WV Citizens

Revenue from Closing Overseas Tax Loopholes Should Be Collected Before Congress Makes Cuts to Education, Health Care and Other Vital Programs

Charleston, February 5th – With West Virginia's Budget under heavy pressure, WV Citizen Action, released a new study by U.S. PIRG revealing that West Virginia lost $106 million due to offshore tax dodging in 2012. Many of America's wealthiest individuals and largest corporations use tax loopholes to shift profits made in America to offshore tax havens, where they pay little to no taxes.

"Before politicians in Charleston and Washington cut critical education, health care and public safety programs they need to first make sure that the wealthy and big corporations pay their fair share of taxes," said Gary Zuckett, Citizen Action's Executive Director. "That means closing loopholes that allow the wealthy and big corporations to hide their income and profits in overseas tax havens where they avoid paying U.S. taxes."

"Tax dodging is not a victimless offense. When corporations skirt taxes, the public is stuck with the tab. And since offshore tax dodgers avoid both state and federal taxes, they hurt everyday taxpayers twice," according to Dan Smith, Tax & Budget Advocate for U.S. PIRG. "West Virginia should be using that money to benefit the public."

All told, state taxpayers across the country lost nearly $40 billion last year from offshore tax loophole abuse. To put that amount in context, $40 billion roughly equals the total amount spent by all state and local governments on firefighters in 2008. It's also enough money to cover the educational costs for 3.7 million children for one full year.

Tax havens are used by both wealthy individuals and corporations. In West Virginia last year, $69 million was lost from the corporate abuse of tax havens and $36 million from individuals.

As of 2008, at least 83 of the top 100 publicly traded corporations in the U.S. used tax havens, according to the Government Accountability Office. At the end of 2011, 290 of the top Fortune 500 companies reported that they collectively held a staggering $1.6 trillion in profits offshore. By using offshore tax havens, corporations and wealthy individuals shift the tax burden to ordinary Americans, forcing them to make up the difference through cutting public services, growing our already the budget deficit, or raising taxes on everyday citizens.

At the national level, offshore tax loopholes cost federal taxpayers $150 billion each year, which would be more than enough to cover the scheduled across-the-board federal spending cuts that are set to take effect on March 1. At that time $85 billion in budget cuts are scheduled to begin for 2013 and a total of $1 trillion in cuts over the next 10 years. There is expected to be a major push from President Obama and Congressional Democrats to close overseas tax loopholes that allow the wealthy and big corporations to shield their income from taxation and encourage U.S. jobs to be shipped overseas. Companies like Apple, Google, Microsoft and General Electric are able to avoid billions of dollars in taxes this way.

"Some budget decisions are tough, but closing the offshore tax loopholes that let large companies shift their tax burden to the rest of us is a no-brainer," Smith added.

Here are some increasingly notorious ways that some of America's largest corporations drastically shrink their tax bill:

- Google used accounting techniques nicknamed the "double Irish" and the "Dutch sandwich," which involved two Irish subsidiaries and one in Bermuda, to help shrink its tax bill by $3.1 billion from 2008 to 2010.
- Wells Fargo paid no federal income taxes in 2008, 2009, and 2010, despite being profitable all three years, largely due to its use of 58 offshore tax haven subsidiaries.
- Microsoft avoided $4.5 billion in federal income taxes over three years by using sophisticated accounting tricks to artificially shift its income to tax-friendly Puerto Rico. The company pays its Puerto Rican subsidiary 47% of the revenue generated from its American sales, despite the fact that those products were developed and sold in the U.S.

You can download the report, "The Hidden Cost of Offshore Tax Havens: State Budgets Under Pressure from Tax Loophole Abuse," here:

www.uspirgedfund.org/reports/usf/hidden-cost-offshore-tax-havens

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WV Citizen Action is the state's oldest consumer protection organization.

U.S. PIRG, the Federation of Public Interest Research Groups, is a consumer group that stands up to powerful interests whenever they threaten our health and safety, our financial security, or our right to fully participate in our democratic society. www.uspirg.org