PENNSYLVANIA Budget and Policy Center

CTJ Citizens for Tax Justice

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To view the full study, go to http://ctj.org/90reasons.

Pa. Companies Like PPL, Heinz Paid Little or Nothing in State Income Taxes

As Pa. corporate tax collections erode, it becomes difficult to invest in schools, communities

HARRISBURG, PA (March 20, 2014) — Many profitable Fortune 500 companies including Pennsylvania-based PPL, H.J. Heinz, Airgas, Allegheny Technologies, Hershey, and Comcast are paying little or nothing in state income taxes thanks to loopholes, tax breaks, and crafty accounting, according to a new report from the Institute on Taxation and Economic Policy (ITEP) and Citizens for Tax Justice (CTJ).

The new study, *90 Reasons We Need State Corporate Tax Reform*, was co-released with the Pennsylvania Budget and Policy Center Thursday. It examined 269 Fortune 500 companies, including 16 based in Pennsylvania, that were profitable every year between 2008 and 2012. Of those, 90 companies avoided state income taxes altogether in one or more years.

State Corporate Income Taxes Paid and Avoided by 269 Major Corporations, 2008–2012

$-billions	Pretax Profits	Tax Due at 6.25%	Actual Tax Paid	Taxes Avoided
2008	$ 415.4	$ 26.0	$ 12.7	$ 13.2
2009	395.3	24.7	11.6	13.1
2010	452.8	28.3	14.3	14.0
2011	504.2	31.5	14.6	16.9
2012	525.6	32.9	17.0	15.9
Five years	$ 2,293.3	$ 143.3	$ 70.2	$ 73.1

90 Reasons We Need State Corporate Tax Reform: State Corporate Tax Avoidance in the Fortune 500, 2008 to 2012, Citizens for Tax Justice and Institute on Taxation and Economic Policy, http://ctj.org/90reasons/

"St. Patrick's Day is behind us, but for corporations like PPL and H.J. Heinz, it's four leaf clovers all year round," said Sharon Ward, Director of the Pennsylvania Budget and Policy Center. "When profitable corporations don't pay taxes, other businesses and the rest of us pay more."

Corporate tax collections in Pennsylvania have declined as a share of total tax revenue over the past 30 years. The phase out of the capital stock and franchise tax, corporate tax loopholes, and other tax breaks are the primary reasons for the decline.

A law passed last year to close corporate tax loopholes in Pennsylvania failed to get the job done, leaving companies free to continue to avoid paying income taxes. New tax credits and other policy changes mean that corporations are paying a smaller share of taxes overall in Pennsylvania, leaving other taxpayers to contribute more.

This erosion of corporate tax revenue threatens Pennsylvania's ability to make investments in the future, including funding increases proposed by the governor for public schools, a new college scholarship program, domestic violence prevention, and other human services.

Business tax cuts have also done very little to bring new jobs to Pennsylvania. Job growth in the commonwealth has lagged well behind most other states, ranking 48th out of the 50 states in 2013.

"If we are going to get our economy back on track, corporations must pay their share of taxes like the rest of us," Ward said. "Only then will we be able to invest in strong schools and other building blocks of our economy."

The ITEP/CTJ report found:

- 90 companies paid no state income tax at all in at least one year, and 38 companies avoided taxes in two or more years.
- 10 companies, including Boeing, Merck, and Rockwell Automation, paid no state income tax at all over the five-year period covered by the study.
- The average weighted state corporate income tax rate is 6.25 percent, but the 269 companies paid an average rate of just 3.06 percent.
- In Pennsylvania, PPL and PNC Financial Services Group paid average income tax rates over the five-year period of less than 1 percent; Cigna, Airgas, H.J. Heinz, Allegheny Technologies, and Air Products & Chemicals paid between 1 and 2 percent on average; Wesco International and AmerisourceBergen paid between 2.1 and 3 percent on average; Consol Energy, Hershey, and Comcast paid between 3.1 and 4 percent on average; PPG Industries, Dick's Sporting Goods, and Universal Health Services paid between 4.1 and 5 percent on average; and UGI paid 6 percent on average.
- The 269 companies examined collectively avoided paying $73.1 billion in state corporate income tax.

"The first step in any state's corporate tax reform should be ensuring corporations are actually paying taxes," said Meg Wiehe, Director of State Tax Policy at the Institute for Taxation and Economic Policy. "At a time when public services that ordinary people rely on face inadequate funding, we shouldn't be having a conversation about lowering taxes for profitable corporations, which only means the rest of us have to pay more. We should be talking about how to ensure corporations are paying their fair share."

To view the study, go to http://www.ctj.org/90reasons/.

Citizens for Tax Justice (CTJ) is a 501(c)(4) public interest research and advocacy organization focusing on federal, state and local tax policies and their impact upon our nation (www.ctj.org).

The Institute on Taxation and Economic Policy (ITEP) is a 501(c)(3) non-profit, non-partisan research organization, based in Washington, DC, that focuses on federal and state tax policy. ITEP's mission is to inform policymakers and the public of the effects of current and proposed tax policies on tax fairness, government budgets, and sound economic policy (www.itep.org).

The Pennsylvania Budget and Policy Center is a non-partisan policy research project that provides independent, credible analysis on state tax, budget and related policy matters, with attention to the impact of current or proposed policies on working families (www.pennbpc.org).