PRESS RELEASE

Study: Large U.S. Corporations Pay Taxes at Average 22.8 Percent; Many Pay 10 Percent or Less, Some Pay None

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NEW YORK (Oct. 3)—Most large U.S. companies pay tax at rates near 22.8 percent, well below the 35 percent rate set by law—and many pay tax rates in the single digits or even negative rates that give them cash back, according to a new study from Calcbench and Radical Compliance.

The study examined financial reports of the S&P 500 from 2012 through 2016, and found that **the average taxes paid by the group in those five years equalled a rate of 22.8 percent**; roughly one-third lower than the 35 percent statutory rate often cited in policy debates. Thanks to astute use of tax credits, deductions, exemptions, and other tax management techniques, a solid majority of large companies push their tax rates well below that 35 percent figure.

Calcbench calculated the rates by dividing a company's income taxes paid into earnings before taxes. The study examined those numbers for all S&P 500 companies that made a profit in the five years of 2012-2016. The average rates fluctuated within a range of 20.32 percent (2016) to 24.58 percent (2014).

For comparison purposes, if this S&P 500 group were its own country with a statutory tax rate of 22.8 percent, they would place in the middle of tax rates among the 35 countries in the Organization for Economic Cooperation and Development. (The United States' 35 percent rate does place it highest among the OECD.)

The study also calculated the *implied tax deficit*—the difference between what large U.S. companies did actually pay in the last five years, versus what they would pay at the full 35 percent statutory rate. **That implied tax deficit was $795.4 billion,** an average of $159.1 billion annually over the last five years.

Other key findings of the study include:

- The 10 firms with the most pre-tax profit in 2016 paid taxes at an average rate of 17.5 percent;
- Roughly 40 percent of S&P 500 firms studied paid taxes in 2016 at a rate of 25 percent or lower; while 30 percent of the group paid at the full 35 percent statutory level or higher;

- The 10 firms with the lowest tax rates above zero paid $4.7 million in taxes on $1.54 billion in pre-tax profit— a rate of 0.26 percent.

“This study brings valuable context to the debate over tax reform,” says Pranav Ghai, CEO of Calcbench. “Our data shows that companies employ a wide range of strategies to lower their tax burden, and those strategies lead to a much lower rates than what statute specifies.”

“It may well be true that lower statutory rates are a wise public policy idea,” says Matt Kelly, editor of Radical Compliance, “but we can’t ignore the facts revealed in corporate data. U.S. companies *don’t* pay the highest taxes in the world, thanks to tax management. The long-term trend is that companies use loopholes in the tax code extensively, and their true tax burden today is very much in the middle of what our economic peers impose around the world.”

A complete copy of the report, “We Are the 22.8 Percent: Analysis of taxes paid among the S&P 500,” is available to the media upon request. Calcbench can also provide extensive, company-specific data on taxes paid and tax rates upon request as well.

About Calcbench

Calcbench databases and research tools provide a new experience in researching financial and accounting data. Calcbench tracks all types of corporate disclosures—10-Q, 10-K, 8-K, earnings releases, proxy statements; more to come in the future—whether they are displayed prominently or buried in the footnotes. We have that level of detail for more than 9,000 U.S.-listed businesses. Above all, we let you connect the dots among all that data, from a numerical disclosure on one financial statement to the narrative behind the number elsewhere.

Financial analysts, investors, academics, auditors, and economists can instantly access, research, and share data, both online and through our Excel add-in. Our accessible and intuitive platform can help you better understanding competitor financials, identify potential risk areas, find trends across industry sectors, or conduct more effective due diligence. Calcbench is the tool you need to make better decisions.

About Radical Compliance

Radical Compliance is an independent blog that provides news, analysis, and commentary on corporate compliance, audit, and financial reporting issues. It is run by Matt Kelly. More information can be found at www.RadicalCompliance.com.

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