Written by **Charles Scaliger** on March 13, 2013

Major U.S. Companies Park Money Overseas to Save on Taxes

In a stunning depiction of how bad our tax code has become, the *Wall Street Journal* on March 10 found that 60 major U.S. companies parked a total of $166 billion abroad last year, enabling them to avoid almost $100 billion in taxes. Otherwise put, around 40 percent of these companies' aggregate total earnings were shielded from taxes — and also made unavailable for paying dividends or making investments in the United States. Ten of the companies actually parked more money offshore than they made in profits, highlighting the desperate measures American companies are now willing to resort to in order to avoid the voracious maw of the American taxman.

With top combined state and federal corporate tax rates at about 40 percent, the United States — once the "land of opportunity" and of free-market enterprise — now has the highest corporate tax rate in the developed world, and a federal government frantically looking for further corporate tax "loopholes" to close that will raise rates higher still. In such a context, it is little wonder that so many of America's top companies choose to move their business to lower-taxed jurisdictions overseas. In the case of many high-tech and health-care companies, this includes even moving patent rights and other types of intellectual properties to overseas subsidiaries.

It is estimated that the federal government lost $42 billion in tax revenue due to such tax avoidance practices last year alone; yet instead of seeking ways to lower rates to make the U.S. corporate tax code once again competitive with the rest of the world, and provide incentives for U.S. companies to return home, all the talk in Washington is about closing loopholes, raising rates, and, in general, finding ways to squeeze more money out of U.S. corporations. U.S. citizens are already the only citizens in the developed world whose government taxes them on all money earned while living abroad (prompting increasing numbers of wealthy American citizens to renounce their U.S. citizenship). Before long, one suspects that U.S. corporations will be denied the option of moving assets overseas, as a more determined, desperate, and confiscatory class of tax feeders on Capitol Hill tightens the tax noose.

Many of the corporations studied by the *Wall Street Journal* are increasing their overseas holdings at the expense of domestic assets, presumably in anticipation of the yet-more punitive tax code being drawn up. For example, noted the *Journal*:

> Software maker Microsoft Corp. boosted the holdings of its foreign subsidiaries by $16 billion in the fiscal year ended June 30, 2012, to $60.8 billion, the third-largest holding in the Journal survey. The growth in Microsoft's overseas holdings nearly equaled its net income for the year of $17 billion — in part because Microsoft said its foreign operations accounted for 93% of its pretax profit last year.

Americans are frequently encouraged by politicians and the media to disparage and despise "multinational corporations" because of their allegedly heartless fixation on profits and their avoidance, wherever possible, of their "patriotic duty" to pay taxes. But tax rates of 30 or 40 percent are not imposts; they are naked seizure of property, a de facto attempt to nationalize nearly half the assets of the corporate sector.

To be sure, some corporations are incurably cynical in their participation in politics — buying congressmen, lobbying and donating to both major parties, and the like. But the majority of them would doubtless prefer to bring their assets home and help grow the American economy, instead of hiring cheaper but often less-educated and less productive workers overseas and trying to negotiate the shoals of foreign politics and regulations.

But until American voters elect a better crop of political leaders — one sympathetic to private enterprise and anxious to lower taxes and reduce regulatory burden — America's big business tax exodus abroad is likely to continue.