

Support small business by ending corporate tax dodging

Guest Column

BY GREGG HODGSON

As a business consultant, I'm a fierce advocate for small business. This also means that I have a big problem with things which put small businesses at a disadvantage – for example, when huge corporations hide their profits offshore in order to duck paying taxes here at home.

A recent study by the Public Interest Research Group found that the top 100 tax-dodging corporations collectively shelter almost \$1.2 trillion in profit offshore. One company, Bank of America, has 316 subsidiaries in tax haven countries. Call me cynical, but I think it's unlikely that the bank has much business in the Cayman Islands, Costa Rica, Mauritius, Gibraltar, the Bahamas, Switzerland, Bermuda, Curacao, Monaco, the British Virgin Islands and other well-known tax havens.

This is a shell game only the big guys with teams of lawyers can afford to play. The small businesses I advise plow nearly all of their revenues back into their operations. Never once in more than 20 years of helping businesses thrive have I recommended that an entrepreneur form a dummy corporation in the Caribbean in order to evade a tax bill.

Corporate giants already have enough advantages over the little guys. With their gigantic budgets, huge staffs, national distribution networks, quantity discounts, saturation advertising and pinpoint marketing, they're already clobbering their small competitors. Why should they get an extra leg up through loopholes in the tax code?

Yet that's exactly what they get. In just one example, Congressional investigators recently discovered that Apple, one of the most profitable companies in the world, avoided paying nearly any taxes on \$74 billion in profits it claimed were earned in Ireland, a foreign tax haven, from 2009 to 2012.

Of course, Apple isn't the only corporate behemoth working every angle of the tax code to try to duck out on their responsibilities. In recent years, according to a report

by Citizens for Tax Justice, such household names as Boeing, Wells Fargo and General Electric have paid no federal income tax at all.

All those dodged taxes add up. If only 21 of the top 100 tax-dodging public companies were to pay taxes on the money they hold in tax

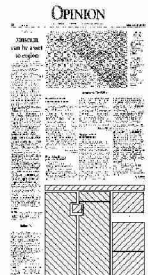
havens, the U.S. government would have \$93 billion more to help our schools, rebuild our infrastructure and defend our country.

Big corporations often complain that they pay too much in taxes already, pointing to the 35 percent rate they would pay without all the accounting gimmicks. But according to the U.S. Government Accountability Office, America's biggest and most profitable corporations paid on average just a third of the official rate in 2010. And the federal Office of Management and Budget tells us that the share of total federal revenue coming from the corporate income tax is at a 60-year low.

Meanwhile, corporate profits are at record highs and Wall Street is booming. The rest of us, though — including small businesses — aren't doing nearly so well. Government budget-cuts have cost the jobs of police officers and teachers, delayed road and bridge repairs, and threatened Medicare and nursing-home assistance. As big companies send jobs overseas and lay off American workers, middle-class incomes stagnate and our economy lags.

It's hard to imagine a situation riper for reform. Yet corporations and their political backers are pushing for a so-called "territorial" tax system in which all U.S. corporate profits earned overseas would be permanently free of all U.S. taxes. Corporations would have even more incentive to offshore operations (with all their jobs), while any profits still generated in America could easily be assigned to foreign tax havens through accounting sleight of hand. "Territoriality" would inflict two harms: it would increase our nation's unemployment while reducing revenue needed to make new investments.

Luckily there is a real reform bill in Congress, which would raise up to \$600 billion from huge corporations over the next 10 years by ending all the shell games played with profits overseas. This is money we could use to invest in America and help level the playing field for small business.



Despite what some politicians claim, you can't truly be a champion for small business unless you're really committed to leveling the playing field. We should begin by closing corporate tax loopholes and making sure that America's biggest corporations pay their fair share.

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