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Rating RATE Participants: Government's Largest Contractors in Corporate Tax Cut Coalition

by Scott Klinger

Reforming America's Taxes Equitably, or RATE Coalition, is a corporate lobby group made up of 29 major corporations and two trade associations. Formed last year, the RATE Coalition has been increasingly active in pressing Congress to cut corporate income tax rates from current levels. But a number of the companies involved in the coalition benefit from the very revenue stream they're seeking to shrink.

Among the RATE Coalition's members are eight corporations that were among the top 100 federal government contractors last year, including the nation's four largest military contractors. Collectively, these eight firms received more than $108 billion in federal government contracts in fiscal year 2013, nearly a quarter of all the contract dollars awarded by the U.S. government.

Contractor	FY 2013 Federal Government Contracts	Share of Total Government Contracts
Lockheed Martin	$43,526,193,537	9.46%
Boeing Company*	$20,957,639,952	4.56%
Raytheon	$14,051,955,328	3.05%
General Dynamics	$13,108,476,307	2.85%
Northrop Grumman	$12,972,169,294	2.82%
Babcock & Wilcox	$2,501,458,441	0.54%
FedEx	$891,598,208	0.19%
AT&T	$602,365,462	0.13%
Total	**$108,611,856,529**	**23.6%**

Source: USAspending.gov

**= Data for Boeing excludes $2 billion in FY 2013 government contracts granted to Bell Boeing Joint Project Office, a joint venture between Boeing and Textron.*

Three of the RATE members received federal contracts valued at more than $100 million in fiscal 2013 (Verizon, Ford, and UPS) and five received federal contracts of lesser amounts. In all, 16 of the RATE Coalition's 29 members (55 percent) derive at least some of their profits from federal contracts.

At least one-third of the corporations lobbying for cuts to corporate tax rates are themselves vendors of the federal government, yet they are fighting hard to reduce the revenue the government has to produce and provide services.

Their shortsightedness is breathtaking: all RATE Coalition members are receiving valuable public services, without which their businesses could not succeed. Without strong schools that deliver an educated workforce, efficient transportation and communications systems, well-regulated capital markets that give investors confidence, courts that protect contracts and intellectual property, and a robust program of basic research that delivers valuable discoveries that corporations can then commercialize, America's businesses would not be what they are today.

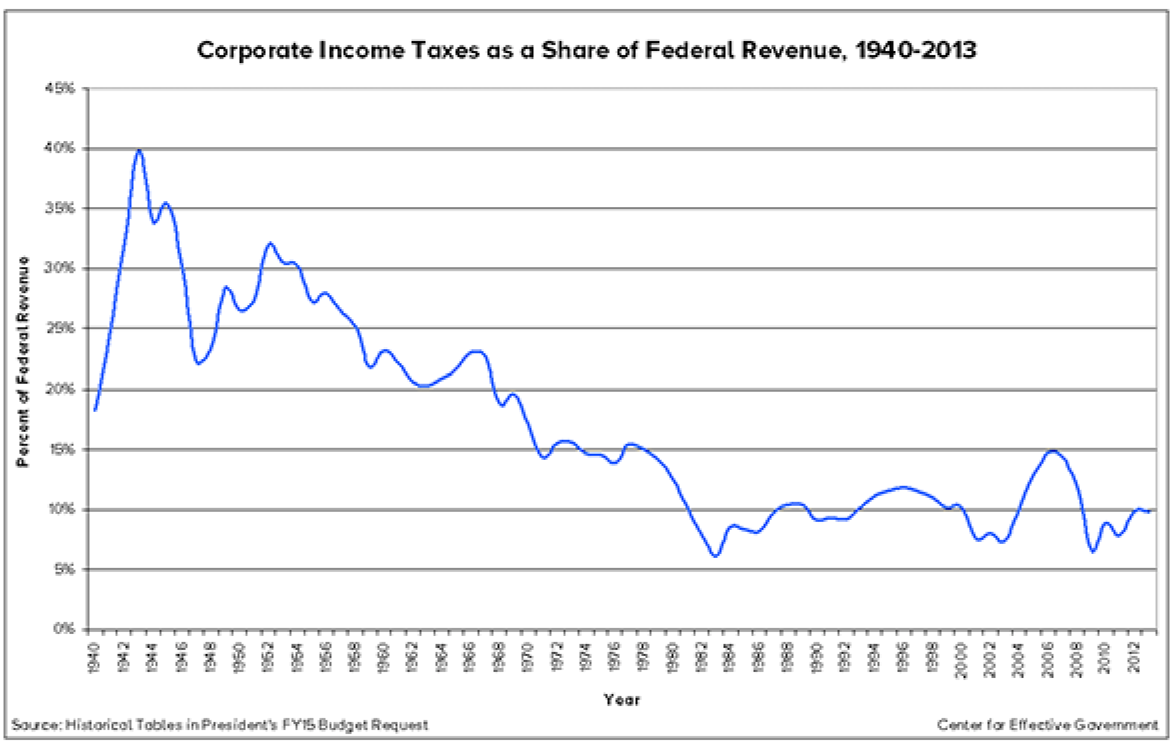
Perhaps the most important gift that all businesses receive from the government is limited liability. It's a gift that is often taken for granted, but without it, corporations as we know them would not exist. Limited liability simply means that investors bear no responsibility for any damages caused by companies beyond the money they invested in the enterprise. It means that businesses can cause a huge mess and walk away, leaving taxpayers to pick up the cost of clean up.

When Freedom Industries spilled toxic chemicals in a Charleston, WV river in January, its owner quickly declared bankruptcy and left insurers and taxpayers to pay to restore the water. Similarly, after Lehman Brothers' bankruptcy triggered the financial collapse of 2008, the company's shareholders lost all the money they had invested in the firm's stock, but nothing more. The trillions of dollars of losses stemming from the collapse of financial markets were borne by taxpayers and others.

Yet corporate leaders continue to lobby for – and win – lucrative tax loopholes, credits, and deductions that have cut the average tax rate that corporations pay to less than 20 percent, according to *The Sorry State of Corporate Taxes*, a new report by Citizens for Tax Justice. In other words, corporate CEOs regularly complain that the "high" "official" U.S. tax rate of 35 percent affects their ability to compete in global markets, yet few pay this rate. (CTJ's report points out that two-thirds of America's multinational corporations report paying higher tax rates in foreign countries than they do in the United States.)

The result of this tax cutting is that corporate income taxes have steadily fallen as a source of federal government revenue. In 1952, corporate income taxes accounted for 32 percent of federal government tax receipts; last year, they accounted for less than 10 percent.

Leaders of both political parties want to lock in corporate tax revenues at today's fire-sale levels. Leaders ranging from President Barack Obama to House Ways and Means Chairman Dave Camp (R-MI) back so-called "revenue-neutral" corporate tax reform. Members of the RATE Coalition are campaigning for even deeper cuts to corporate tax rates that could, in the long-run, lock in the near-record low level of federal taxes (as share of federal tax receipts and as share of the economy) they are paying today.



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Tax Dodgers Rampant in the RATE Coalition

You might expect a corporate lobby group campaigning for lower tax rates to be full of companies paying a high corporate tax rate, and some of them are. Tobacco manufacturer Altria and retailers GAP and CVS Caremark each paid more than 30 percent of their corporate income in federal taxes between 2008 and 2012, according to Citizens for Tax Justice.

But nine RATE Coalition members had effective tax rates of less than 20 percent during the five-year period ending 2012, despite being profitable in each of those years. Collectively, these nine firms reported $195.8 billion in profits between 2008 and 2012 and paid $13.1 billion in federal income taxes, an effective tax rate of just 6.7 percent over five years.

Two RATE Coalition members, Boeing and Verizon, reported negative tax rates during the period, meaning their deductions and loopholes were so abundant that they actually got refunds from the IRS of $737 million, even though they reported more than $50 billion in profits to their shareholders between 2008 and 2012, according to Citizens for Tax Justice.

Boeing is a particularly interesting case. The nation's second-largest contractor receives about a third of its revenue from federal government contracts. Yet Boeing has paid no net federal income tax over the last dozen years, despite delivering $43 billion in profits to its shareholders. During those 12 years when it paid the federal government nothing, Boeing paid its CEOs more than $188 million.

RATE Coalition Members with Effective Corporate Tax Rates of Less Than 20 Percent 2008-2012

Company	Effective Tax Rate	Federal Income Taxes Paid ($ Million)	Corporate Profits ($ Million)
AT&T	6.5%	$4,352	$67,298
Boeing Company	-1.0%	-$202	$20,473
FedEx	4.2%	$395	$9,381
Kimberly Clark	13.9%	$983	$7,092
Lockheed Martin	18.4%	$3,840	$20,922
Raytheon	16.1 %	$2,110	$13,099
Southern Company	10.8%	$1,675	$15,441
Time Warner Cable	3.9%	$463	$11,891
Verizon	-1.8%	-$535	$30,203
TOTAL		**$13,082**	**$195,794**

Source: Citizens for Tax Justice, *The Sorry State of Corporate Taxes*, February 2014

Why Would Corporations with Already Low or Even Negative Tax Rates Be Members of a Coalition to Reduce Corporate Tax Rates?

Why would businesses that have so successfully gamed the corporate tax system to avoid paying U.S income taxes become a member of a lobbying organization committed to lowering corporate tax rates?

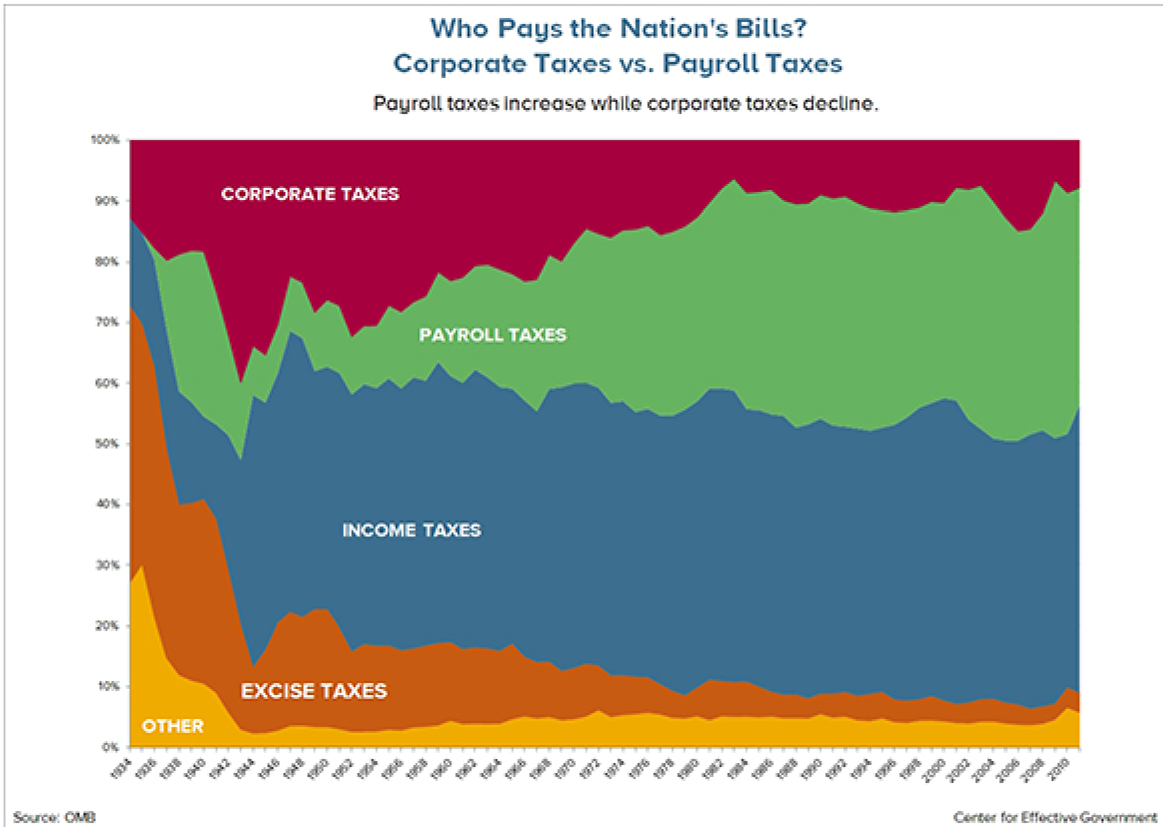
Some companies are lowering their tax bills by shifting their U.S. profits offshore using accounting gimmicks, and they avoid taxes so long as those profits remain offshore. Once those profits return to the U.S. (to be paid as dividends or used to make an acquisition, for instance), taxes come due. At present, U.S. corporations have more than $2 trillion in untaxed foreign profits.

Other businesses, like many in the RATE Coalition, reduce their tax bills by taking advantage of special deductions that reward them for purchasing new equipment. These deductions affect the period of time over which the company can write off the cost of those investments on their taxes. Historically, corporations have written off the cost of investments over the life of equipment purchased, but more recent tax rules have accelerated those deductions, allowing corporations to deduct more of the purchase price immediately. In effect, this shifts their tax bills years into the future.

Corporations create accounts reflecting the income tax bills they will owe in the future. They calculate their future obligation using the current tax rate in force at the time. Therefore, if the RATE Coalition is successful in getting Congress to slash corporate income tax rates, the amounts that corporations are holding in reserve to pay their tax bills one day in the future will also be slashed, sending billions of dollars of tax windfalls straight to the bottom line and into executives' pockets through increased bonuses.

Now Is Not the Time to Cut Corporate Tax Rates. Now Is the Time to Close Loopholes and Invest in America

America's corporations are delivering record profits. The stock market is setting new all-time highs. And corporate CEO pay is soaring, thanks to strong stock market growth last year. While corporate profits as a share of the economy have never been higher, corporate taxes as a share of the economy have seldom been lower.



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Because corporations are not paying their fair share toward the costs of public structures upon which they depend, federal, state, and local government budgets are getting squeezed and public services are suffering from a sustained period of disinvestment. In our recent report, *The Disappearing Corporate Tax Base*, we found federal revenue sharing to states (adjusted for inflation) for things like education, environmental protection, and infrastructure spending fell 29.8 percent between 2008 and last year as a result of the end of federal stimulus spending and the imposition of mandatory spending caps under the Budget Control Act of 2011. Between the 2010 peak of stimulus aid and 2013, federal education funding to states declined nearly 40 percent, even as school enrollments continued to grow. As a result, two-thirds of the states provided less funding per pupil for the 2013-2014 school year than they did in 2007, according to an analysis prepared by the Center on Budget and Policy Priorities.

Conclusion

Those who have done well in America should do right by America. This is especially true for corporations that depend upon publicly funded government contracts for their business success. Corporations, like those involved in the RATE Coalition, that use their political muscle to lower the taxes they pay to support public services are shortsightedly undermining the very public structures that ensure we have a free and democratic country in which every American can succeed and in which businesses can continue to thrive.

Methodology Notes: Government contract data was drawn from USASpending.gov, the federal government's budget transparency website. Data was collected on Jan. 28, 2014. All company-

specific tax information comes from The Sorry State of Corporate Taxes*, a new report from Citizens for Tax Justice.*

Boeing CEO pay data comes from company proxy statements filed annually with the Securities and Exchange Commission. Total compensation data used includes salary, bonus, non-equity awards, LTIPs, other compensation (perks), value of stock options exercised, and value of restricted stock vested. New stock options and restricted stock awards were not included in the calculations.

E-Gov Spotlight: Department of Labor's Enforcement Data Tool Provides Access to Worker Safety Information

by Sofia Plagakis

During Workers' Memorial Day on April 28, the country will honor Americans who have died from a job-related illness or injury. Relevant to that commemoration is the Department of Labor's online enforcement database, which sheds light on safety enforcement actions and company performance in protecting workers from injury, illness, and death.

What Is the Department of Labor's Enforcement Database?

The Department of Labor (DOL) released the database in April 2010 as part of President Barack Obama's Open Government Initiative. "By making this information available and easy to use, we're helping to ensure a level playing field for employers who follow the law," said former Secretary of Labor Hilda Solis. Since its initial release, the agency has undertaken several efforts to improve the site.

The DOL Data Enforcement database centralizes information from five separate agency programs:

1. Occupational Safety and Health Administration (OSHA): about 100,000 inspections conducted annually, violations, citations, penalties, and any accident investigation data.

2. Mine Safety and Health Administration (MSHA): data about mines, mine operators, inspections, violations, and accidents.

3. Employee Benefits and Security Administration (EBSA): data about enforcement efforts related to funding and investments of about 800,000 retirement and welfare benefits plans.

4. Office of Federal Contract Compliance Program: federal contractor compliance evaluations and compliant investigations since 2004.

5. Wage and Hour Division: violations, back-wage amounts, number of employees due back wages, and civil penalties assessed.

Using the Site

The enforcement database homepage presents users with an interactive map of the United States that displays inspection and violation data of companies and mines. The map also serves as an interface allowing visitors to drill down to state and local data and identify mine-related violations or accidents. An "agencies & views" tab allows users to search by agency, state, and/or zip code.

Facilities are marked by a blue or red icon – red denotes facilities with violations and blue signifies facilities without any violations. When users select a specific red or blue marker, a pop-up provides basic information on the facility, number of inspections conducted and citations issued, initial or current penalties, and a link to the facility's or the mine's entire history.

For example, users looking at an individual mine can click on a "View Mine History" link, which redirects them to a range of facility information, from the mine's ID number to the operator name and number of accidents. Users can then select the mine ID and the number of accidents to learn about the type of injury or illness that occurred (e.g., death or lost work time) and related enforcement actions.

Users can also access data and refine their search options through the Search tab, located on the homepage menu above the interactive map. Visitors can use a variety of different fields, such as exact dataset, agency, penalty amount, North American Industry Classification System (NAICS) code, Standard Industrial Classification (SIC) number, violations, back wages a facility has agreed to pay, year, location, and company. When conducting a search on a particular company, it is useful that the database includes a "smart text feature," which helps users find the exact company they are looking for and to ensure accurate spelling.

Another visually appealing search tool is called D'Vis, which is an interactive feature that allows users to narrow down data to precise search selections and represents them in a colorful and dynamic pie chart. One particularly innovative feature of D'Vis is that it generates a unique downloadable dataset for each selection searched. For example, the left side of the screen functions as a map to remind users which selections they have made. This powerful tool, however, requires some practice to use, because selecting certain terms can cancel searches. For example, if a user searched for OSHA inspections in Illinois in 2013 but then pressed the state field again, the search selection cancels out. Also, pressing the search engine's Back key will return users to the Search page.

Users can also access data through the labs and the data catalog, both accessible from the homepage menu. The labs feature allows users to manipulate mining and OSHA data to create graphs and other visualizations. Users can benefit from watching the tutorial to better understand what the labs can show and how to use the feature effectively. The data catalog is a compilation of related data that can be easily downloaded as an Excel file.

Strengths

A major strength of the website is the extensive and centralized labor enforcement data from around the country. Prior to the website's creation, users would have to go to each department and program's website to access portions of the data. DOL is increasingly making worker safety data available, which empowers communities and individuals to make informed employment and business decisions.

Another strength is the visually appealing presentation of the enforcement and inspection data, from the simple interactive map to the more extensive pie charts and graphs. Even if an individual is unfamiliar with datasets, regulations, and agencies, the site conveys the most important information – what and when have facilities been inspected and what, if any, violations have occurred? The site also provides more detailed information and downloadable data for more advanced users, with thorough descriptions of industry codes, links to pertinent information, and tutorials for several of the search tools.

The website also deserves credit for using a variety of tools to allow greater dispersal of information and encouraging user feedback and ideas. Users can download raw datasets in Excel files and access information on the site via Twitter or Facebook. This diversity of communications methods means that more people will get and use this important data.

Weaknesses and Recommendations

One shortcoming of the site is that some of the most basic data is not available in detail from the interactive map or is not as easily accessible as it could be. For example, the facility pop-ups on the interactive map provide the number of violations, but not whether there were any injuries or deaths at the location. Users have to undergo various steps to find that data. The interactive map would benefit from including accident data, including injuries and deaths (DOL indicated that this feature may be available in the future). Alternatively, the site could allow users to select what facility information will appear in the pop-ups.

In addition, while data involving OSHA's accident investigations is important and revealing, it is limited because of a backlog of unreviewed cases going back to 2008.

The site would also benefit from better use of tutorial materials. The search tools are advanced and powerful, but they are not as intuitive as they could be, so tutorials are important for new users to get the most from these functions. Although the site features several tutorials, they could be easier to find. Currently, they are located below the interactive map on the homepage. A message or pop-up that encourages users to view available tutorials might help. Further, tutorials are in video format. Adding a written list of instructions would make it easier to refer back when using the database.

Another limitation, all too common on government websites, is the lack of bilingual options. Adding a second language to the site would significantly expand the audience that could use the information. Those who do not speak English are more likely to face poor worker safety and health issues and should not be left in the dark about potential risks and employer violations.

Conclusion

Overall, the Department of Labor's Data Enforcement site is a transparent, interactive, and educational government website for worker safety and labor enforcement information. The extensive data, visually appealing tools (maps and graphs), and diverse means to receive updates and provide feedback speak well of the efforts made to build a useful tool for everyone. However, some improvements could be made to better reach Spanish speakers, improve the use of tutorials, and expand the data available on the interactive map. These issues are fairly easy to overcome and would make the site even more useful to visitors.

Accelerating Approvals of U.S. Natural Gas Exports Increases Risks of Environmental Disasters and Rising Energy Costs

by Katie Weatherford

Long before Russia's annexation of Crimea last month, companies and trade associations that support exporting U.S. liquefied natural gas called for accelerating the existing export review and approval process. With mounting concerns that Russia will continue its incursion into Ukraine, through which major Russian natural gas pipelines travel, U.S. export proponents are seizing the opportunity to repackage their agenda by framing it as a strong signal to Russia that its power over the global liquefied natural gas market is diminishing. However, significantly expanding U.S. exports of liquefied natural gas overseas has major economic and environmental risks, and proposals to accelerate the approval process for export projects in response to the crisis in Ukraine would only enhance these threats.

Past Proposals to "Reform" the Approval Process

Under the Natural Gas Act, companies seeking to import or export natural gas must first obtain permits from the Department of Energy (DOE), the Federal Energy Regulatory Commission (FERC), and state and local permitting agencies. FERC is responsible for authorizing the siting and construction of import and export facilities and ensuring that an environmental impact statement is completed in accordance with the National Environmental Policy Act (NEPA). DOE is responsible for deciding whether to approve or deny the permit based on whether the project is "consistent with the public interest." For exports to U.S. free-trade partners, the public interest standard is satisfied and the permits are automatically approved. The public interest standard is presumed satisfied for exports to non-free trade partner nations, but DOE must solicit public comment on such a proposal before it can be approved.

Oil and gas companies and their allies in Congress claim that this approval process takes too long and have advocated for legislation that would fast-track the environmental review process and bypass the public interest standard altogether. However this legislation has traditionally been met with resistance because of the environmental and economic concerns surrounding liquefied natural gas exports.

DOE has approved seven applications to export liquefied natural gas. The newest approval was announced on March 31 and would allow construction of an export terminal in Coos Bay, OR, which would allow natural gas exports to non-free trade partner nations. Before the project commences, it must undergo an environmental review and receive final regulatory approval.

Repackaging Old Proposals as a New Mechanism for Sanctioning Russia

Following the annexation of Crimea, proponents of accelerating the approval process have seized the opportunity to reframe the issue as a means to send a signal to Russia that it is no longer the only major supplier of natural gas.

In reality, "[t]his is just the latest in a major push to export fracked gas by Congressional leaders at the behest of major oil and gas producers like ExxonMobil," writes Food and Water Watch in a message to the group's supporters. The call to action continues, "The oil and gas industry and their cronies in

Congress are using escalating tensions between the Ukraine and Russia to push President Obama to dramatically expedite the approval of U.S. exports of natural gas."

For example, Sen. Mark Udall (D-CO) recently introduced the American Job Creation and Strategic Alliances LNG Act, which would accelerate DOE approvals for gas exports to all 159 members of the World Trade Organization (WTO). Rep. Michael Turner (R-OH) has introduced a similar bill in the House. Rep. Cory Gardner (R-CO), who is expected to challenge Udall in the midterm elections, has also introduced new legislation, called the Domestic Prosperity and Global Freedom Act, which would expedite natural gas exports to ally nations. This bill is expected to receive a vote on the floor of the House in the near future.

Just last week, Sen. Mary Landrieu (D-LA) held her first hearing as chairwoman of the Senate Energy and Natural Resources Committee on expanding liquefied natural gas exports in the near-term to send a signal to Russia.

Landrieu and others in support of energy-sector sanctions on Russia explained that because the country receives a large portion of its revenues from its energy exports, with 30 percent of those revenues coming from exports to the EU, opening U.S. exports to Europe would lower European demand and cause a corresponding decline in Russia's Gross Domestic Product (GDP). David L. Goldwyn of the Brookings Institution testified, "A clear signal from the U.S. that LNG exports will be available to European allies for future purchase would put immediate pressure on Russia's market share, and would also help accelerate investment in and construction of gas transportation infrastructure in Europe."

But the prospect of the U.S. entering the global liquefied natural gas market existed long before the annexation of Crimea. The U.S. shale boom over the last few years reduced the amount of natural gas the U.S. imports, freeing up resources for other importing nations and reducing the price of natural gas domestically. And with several export projects already conditionally approved, future exports from the U.S. have already begun to impact investors' expectations.

Moreover, everyone in the industry knows it will take years for export sites and the necessary transportation infrastructure to be built, even if the permitting process were expedited. And because pending liquefied natural gas applications primarily seek to export to countries in Asia where the price of natural gas is highest, exports from the U.S. would take even longer to reach EU member states.

For these reasons, some experts suggest that threatening to increase U.S. gas exports to Europe could backfire and push Russia to move further into Ukraine.

Edward C. Chow of the Center for Strategic and International Studies explained to the committee, "Since U.S. exports of oil and natural gas would have no impact on Russia's market position in the short to medium term, there is a danger that inflating the rhetoric on exports would actually embolden Russia, which will recognize this as an empty threat, to act even more recklessly. It can also distract us from the more critical task of shoring up Ukraine economically."

Chow recommended the U.S. and EU assist Ukraine with increasing its conventional gas production, which he asserted as a faster way to help secure Ukraine than attempting to accelerate U.S. exports of natural gas.

Economic Risks of Exporting Natural Gas

Contrary to what proponents of liquefied natural gas exports claim, accelerating natural gas exports could hinder economic growth in the U.S. Expanded exports could cause a rise in the price of natural gas domestically, negatively affecting U.S. consumers and U.S.-based industries, such as manufacturing and trucking, which rely on the availability of affordable natural gas. When the U.S. experienced a particularly hard-hitting winter this year, natural gas supplies hit the lowest level in over 11 years, causing the domestic price of natural gas to skyrocket for consumers. Exporting natural gas overseas would only cause the price of natural gas to increase further as supplies are shipped to countries where selling the gas is more profitable.

Sen. Debbie Stabenow (D-MI) noted at the Energy and Commerce Committee hearing that the U.S. needs to send a signal to American manufacturers who are looking to bring jobs home that the domestic natural gas supply will remain plentiful and prices will remain low. She referenced a study by Charles River Associates, which found that using low-cost natural gas in the U.S. to increase manufacturing output would be twice as valuable to our economy and create eight times as many jobs as sending the resources overseas.

The Global Environmental Impact

Liquefied natural gas proponents claim that greater access to the energy resource could provide importing nations an opportunity to transition away from dirty fuels and toward cleaner energy sources. "But the truth is that increasing oil and gas exports to other nations will only accelerate fracking here at home, transforming rural and impoverished communities into sacrifice zones while endangering public health, natural resources and local economies," wrote Food and Water Watch. And recent studies suggest that any potential reduction in carbon dioxide emissions from burning gas instead of coal would be more than offset by methane leaks from natural gas operations.

Health and Safety Concerns

Major incidents involving liquefied natural gas operations have already occurred, both in the U.S. and abroad. After a hearing on exports this past October, the Center for Effective Government questioned whether importing nations have adequate infrastructure or regulatory systems in place to mitigate the health, safety, and environmental risks of natural gas operations conducted within their borders. These questions extend to our domestic infrastructure and regulatory system as well.

On March 31, an explosion at the Northwest Pipeline's liquefied natural gas facility in Plymouth, WA prompted an evacuation of approximately 1,000 residents and agricultural workers within a two-mile radius and shut down nearby roads, highways, railways, and even the Columbia River. The *Tri-City Herald* reported that the "explosion sent shrapnel into a 14.6-million-gallon storage tank, rupturing it and starting the gradual leak of super-cold liquefied natural gas."

With the global expansion of the liquefied natural gas market, the possibility of catastrophic incidents will increase. It is crucial that we thoroughly assess the risks posed by liquefied natural gas operations, both domestically and abroad, before moving forward. We need to continue to require comprehensive environmental assessments and the satisfaction of the public interest standard before any new liquefied natural gas projects are approved or export operations are allowed to commence.

Conclusion

Exporting liquefied natural gas from the U.S. poses significant risks to economic growth, environmental sustainability and protection, and public health and safety. The U.S. should address these risks before moving forward with exporting liquefied natural gas. The recent incursion of Russia into Crimea and the possibility of further movement into Ukraine must not be used as an excuse for the U.S. or Europe to make decisions about increased exports of natural gas without a stringent review of the impacts on public welfare and the environment.

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