



# **JEFFERSONIAN GROUP**

## **CHAMPIONS OF FREEDOM AND SELF RELIANCE**

### **Another Fraud On The Public – The Corporate Income Tax**

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Recently the *Citizens for Tax Justice* (CTJ), or, as I like to refer to them as, Citizens for Tax INJUSTICE, conducted a study of 288 Fortune 500 companies and stated that 26 of them paid no federal income tax in a 5-year period. Reuters jumped on this and stated, “Many of the most profitable U.S. corporations paid little or no federal income tax from 2008 to 2012, according to a five-year study issued . . . by a . . . tax activist group.” To Reuters credit, they did mention the fact that several of the companies singled out disputed the CTJ study. The spokesman for General Electric stated that the CTJ “inaccurately uses the current tax provision—a book accounting number—to make definitive statements about our U.S. income taxes. This is not the same as the cash income tax that we pay for a given year.” According to the spokesman, “For each year cited by [CTJ], GE paid income taxes in the U.S., as well as billions in other state, local and federal taxes in the U.S.”

Ignoring the fact that the CTJ’s study may be flawed, as indicated by the GE example, this study is being used by the CTJ, at least several large media organizations, and some politicians, arguing that many U.S. corporations are not paying their fair share of taxes. In 2007, one of Candidate Hilary Clinton’s proposals included a “strategic energy fund” which would be funded “by taking away the tax break for the oil companies.” At least one Democratic Senator is on the record stating, “It’s time for the big corporations to pay their fair share [of income taxes].”

Before proceeding to the real fraud perpetrated on the public, it is easy to dispute the broad conclusions reached by these individuals and groups. When these socialists state that many of the most profitable corporations paid little to no federal income taxes, this seems to suggest that at least most of the Fortune 500 companies fall into this category. The CTJ study singled-out 26 companies, which represents about 5% of the Fortune 500 or 9% of the 288 companies studied. To be considered many or most, I would suggest that the typical person might envision at least 80%-to-90% fall into this category, not less than 10%. In addition, we also know that at least one company (General Electric) should be removed from the 26 companies singled-out, further reducing many, to a few.

And, in spite of what many politicians have said, the major oil companies (e.g., ExxonMobil and Chevron) do not receive any additional tax breaks greater than most other businesses; and, they pay more income taxes than most other corporations.

The real fraud perpetrated on the public is that Americans are led to believe that corporations actually pay income taxes in the first place. Think about it, how can property or an inanimate object pay taxes?

In the February 22, 2014 issue of *The Economist*, far from a conservative or libertarian magazine, they stated: “The big question is whether it makes sense to tax corporate profits at all. A company is a legal entity; if it is taxed, it must pass it on.” Corporations do not pay taxes, only individuals pay taxes. When a corporation is taxed, either: (1) the stockholders absorb the tax, through a reduction of dividends and/or company value; (2) employees are penalized, by cancelling raises or bonuses and not hiring new workers; and/or (3) customers pay the tax through an increase in the cost of the products or services purchased from the corporation. Contrary to what we hear from the media, academia, and the politicians, it is the middle-class and poor that suffer from taxes imposed upon corporate profits.

*The Economist* has even taken the position that “the rich world needs to cut red tape to encourage business.” The cost of government regulation represents another tax or fee ultimately absorbed by the middle-class and poor. The regulatory and tax environment that exists today keeps the middle-class and poor from being able to start new businesses; they are unable to compete with the entrenched large corporations who have huge armies of attorneys and accountants, which are necessary in today’s over-regulated and over-taxed environment.

Only consumers, workers, and investors pay taxes, not corporations. The corporate income tax and regulatory environment is a hidden stealth tax that negatively impacts poor and middle-class Americans.

If enough people begin to understand this fraud, the politicians expounding these types of untruths, whether they are outright lying or just plain ignorant, may be voted out of office.

Dum spiro, spero—While I breathe I hope.

-Robert G. Beard, Jr., J.D., LL.M., C.P.A.