US tax agency gives big business a free ride—corporate audits drop

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Underscoring the Bush administration's commitment to the non-stop transfer of society's wealth to the corporate elite, a new report has disclosed that the government has been auditing fewer corporations, while at the same time ramping up its audits of individual taxpayers.

Syracuse University's Transactional Records Access Clearinghouse discovered that the audit rate by the Internal Revenue Service (IRS) for businesses of all sizes slid to 2.1 audits for every 1,000 businesses last year, down from 2.2 in 2002. Meanwhile, the IRS audited 14 percent more individual tax returns, amounting to 6.5 audits per 1,000 taxpayers.

The report also indicated that the decline in face-to-face audits for all corporations was even steeper, dropping by 21 percent from 2002. For the largest corporations ($250 million or more in assets), there was a 16 percent drop from the previous year.

Alluding to the serious impact this will have on the nation's burgeoning debt, the report states: "The array of declining audit programs that focus on businesses may have special consequences during a period when substantial tax cuts, a less than booming economy and the fiscal demands of homeland security and the wars in Iraq and Afghanistan have together resulted in very large federal deficits."

Declining audit programs currently combine with shrinking tax prosecutions, the latter totaling half of what they were a decade ago. In the 15 months from October 2002 to December 2003, only one out of every 200 IRS criminal prosecutions involved corporations or corporate officials

"[T]he IRS indirectly confirmed that business fraud had not been a central concern of the agency in recent years even though in the wake of Enron and other business scandals President Bush established a Presidential Corporate Task Force in 2002," the study revealed.

"The number of civil penalties assessed each year against corporations for tax fraud and negligence has always been miniscule, particularly when it is recalled that more than 2.4 million corporations are currently filing tax returns. But, small as the number of these assessments have long been, the counts have shrunk even more. From 1999 to 2003, the total number of civil negligence penalties aimed at corporations all over the United States dropped from 62 to 12. In the same period, civil fraud penalties fell from 247 to 170. Although the number of civil fraud penalties increased slightly in 2003, the dollar amount of assessed civil fraud penalties was down 19 percent last year."

Accounting for slightly more than 1 percent of the economy in 2003, corporate income tax receipts have fallen to historically low levels. The General Accounting Office recently reported that 62 percent of US-owned companies and 71 percent of foreign-owned firms contributed no taxes in the US from 1996 to 2000—at the height of the stock market bubble when profits were soaring. Nine out of ten corporations paid less than 5 percent of their total income. Last year, corporate taxes fell to just 7.4 percent of government receipts, versus a high of 40 percent during World War II.

Since 1962, the top corporate tax rate has been cut from 52 percent to 35 percent and the top income tax rate has been cut from 91 percent to 35 percent. Over the same period, the payroll tax rate—a tax shared by both employee and employer—has more than doubled.

According to the Organization for Economic Cooperation and Development, the US ranked 22 out of 29 industrialized countries in terms of corporate taxes as a percentage of GDP in 2000. The Citizens for Tax

Justice pointed out that if corporate tax shares remained the same in 2002, the US will register the second lowest corporate share of taxes, behind only Iceland.

IRS tax audits for corporations have diminished as the Bush administration has increasingly shifted the tax burden from corporations to individuals. According to a report by United for a Fair Economy (UFE), there has been a two-thirds decline in the share of federal revenues contributed by corporations, versus a 17 percent rise in individuals' share since 1962.

Between 2002 and 2004, some $197 billion in new tax breaks—nearly 10 times the amount of all state aid—went to the top 1 percent of American taxpayers. "This is money that has disappeared into the pockets of the very wealthy, making it unavailable to solve ongoing budget crises at the state and local levels," states Chris Hartman, UFE's research director.

Hartman told the WSWS: "The tax cuts are tax shifts, and any tax cuts that ordinary taxpayers get will be lost to state and local tax increases and service cuts. Your tax dollars are really being shuffled around in a shell game of paper work and political rhetoric."

An example of the tax bonanza meted out to the top 1 percent is the 2003 tax returns of the president and Laura Bush. Breaking with tradition of full tax disclosure (since President Jimmy Carter), Bush only partially disclosed his returns, revealing that he netted $31,000 directly as the result of his administration's tax cuts.

Conversely, the Bush government's fiscal policies—taking into account the average six-year "savings" from tax cuts—will increase the net burden of additional debt by $9,456 per person and $37,826 per family of four nationwide between 2002 and 2007, according to Citizens for Tax Justice.

Responding to this information, the UFE writes: "During the summers of 2001 and 2003, the IRS sent out rebate checks to millions of American families. A more complete mailing would have also included a statement of the additional indebtedness that had been imposed on those families in order to fund tax breaks that went disproportionately to the wealthy."

In an April 14 *New York Times* piece entitled "The Department of Internal Resentment," a 13-year IRS veteran—asserting that "[i]t is no secret that the nation's tax code favors the wealthy and protects big business"—relates: "And whose doors did I knock on? The carpet installer, the day-care center operator, the Wal-Mart clerk, the carpenter, the print shop owner ... how many musty warehouses, dilapidated mobile homes, cluttered shops and offices reeking of sweat and that peculiar odor of human desperation I have sat in; the number of ill-educated tradesmen, struggling entrepreneurs and desperate homemakers I have interrogated, demanding the impossible and promising the full fury of my federal power when my demands could not be met.... Most netted less than $30,000 a year. Most operated out of rundown store fronts and tired strip malls. Most were honest people who knew my arrival was the death knell of the American dream."

The IRS's bypassing of executive suites to hunt down the petty tax evader in the community-at-large is another indicator that one of the central preoccupations of government and both political parties—election year notwithstanding—is the enrichment of the nation's super-rich at the expense of the vast majority.