

Top US corporations paid CEOs more than they paid in taxes

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One-quarter of the 100 corporations with the highest paid CEOs paid less in US taxes in 2010 than they paid to their chief executive officers, according to a report issued Wednesday by the Institute for Policy Studies (IPS).

According to the report (The Executive Excess 2011: The Massive CEO Rewards for Tax Dodging), among the corporations that fall in this category are General Electric, Honeywell, Ford, Boeing, Coca-Cola and Verizon. The latter company is demanding huge concessions from its workforce, which led to a two-week strike last month.

Corporate excess and tax dodging is a time-honored tradition in America. Indeed, it is a matter of public record that many of the largest corporations pay no taxes at all. The IPS report, however, comes at time when budget deficits at the federal and state level have been exploited to implement massive cuts in social services and worker pay, all on the grounds that there is simply “no money.”

The IPS found that the 25 CEOs who were paid more than their companies paid in taxes took home on average \$16.7 million a piece. This is 50 percent more than the average CEO compensation for S&P 500 companies, of \$10.8 million. These 25 companies received a *tax rebate* of, on average, \$304 million.

Verizon CEO Ivan Seidenberg was compensated to the tune of \$18.1 million in 2010, even as the company received a \$705 million tax refund. “In effect,” according to the report, “every Verizon phone customer paid more in federal telephone excise taxes than Verizon paid in federal income taxes.”

Verizon is demanding that the 45,000 workers in its landline division accept major cuts in health care, pensions and job security. The company took in \$11.9 billion in profits last year, the highest reported profits

of all 25 companies cited in the report. Additionally, the report notes, “Despite its hefty profits, Verizon last year announced 13,000 job cuts, the year’s third-highest corporate layoff total.”

In spite of the company’s astronomical earnings, it is trying to make, in the words of a Verizon striker, “the average American worker an indentured servant to corporate America.”

Verizon was not alone in taking in huge profits while paying nothing in taxes, or less than nothing. The 25 companies reported average global profits of \$1.9 billion.

The IPS report documents the chasm between pay for executives and workers, which increased significantly in 2010. A CEO of a company in the S&P 500 now makes on average 325 times the pay of the average worker, up from 263 in 2009.

The report further notes that “through a variety of tax and accounting loopholes that encourage executive pay excess,” the government supports ever growing CEO pay. “These perverse incentives add up to more than \$20 billion per year in foregone revenue. One example: No meaningful regulations currently limit how much companies can deduct from their taxes for the expense of executive compensation. The more firms pay their CEO, the more they can deduct off their federal taxes.”

The report explains how the vast sums that are spent by the giant corporations on campaign contributions and lobbying are returned to them in the form of tax refunds from the government. Verizon alone spent almost \$19 million in campaign contributions and lobbying last year. The funds were reimbursed by the government.

The report also notes, “This offshore tax gaming has spawned a massive global tax avoidance industry, with teams of lawyers and accountants who add nothing to

market efficiency or product development. This ‘shadow’ banking industry played a key role in the 2008 financial crisis. The ‘shadow’ system’s reckless financial maneuvering operated through layers of opaque offshore tax havens.”

These figures underscore the fact that the economic crisis that began in 2008, produced by rampant speculation, has been utilized to drive down the wages and benefits of the working class, even as a tiny layer of the corporate and financial elite is now doing better than ever.



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