

# Who Does Not Pay Taxes?

Institute for Wisconsin's Future • January 2012

## General Electric: Income-tax free in Wisconsin and across America Changes contained in the state budget guarantee tax-free future as well

General Electric is a major Wisconsin manufacturer of medical-imaging equipment, a good employer for an estimated 3,000 state workers, a boon to many communities and a stimulus for high-tech development in the state.

But even with these kudos to GE—America's largest manufacturing firm—there is a problem. GE has become the nation's No. 1 symbol of federal tax avoidance.

Unfortunately, General Electric does not pay state

corporate income tax in Wisconsin either. The Institute for Wisconsin's Future obtained GE tax data from the Wisconsin Department of Revenue. It is full of zeroes.

From 2003 through 2008, the conglomerate's parent firm—General Electric Corporation—paid \$0 of Wisconsin corporate income tax, despite the firm's \$109 billion in profits during the period. [See chart. Tax data for 2009 and 2010 are not yet available.]

A search of GE subsidiaries' tax records showed more zeroes. Not one of the firm's subsidiaries—from its Medical Systems to its huge financial business, GE Capital Services, to its media darling NBC Universal—paid a penny of Wisconsin income tax in those years. And thanks to new legislation signed into law by Gov. Scott Walker last year, the official 7.9% income tax rate on corporations is in effect being slashed to 0.4% by 2017. GE can look forward to a tax-free long-term future.

GE is nationally recognized for its ability to avoid federal taxes in spite of enormous profits. A New York Times report, "GE's Strategies Let It Avoid Taxes Altogether," (March 24, 2011) revealed that GE paid no federal income tax in 2010 despite \$5.1 billion in US profits. "In fact," the story noted, "GE claimed a tax benefit of \$3.2 billion."

(continued on page 2)



GE's billions in profits generate not a penny of Wisconsin income tax

	2003	2004	2005	2006	2007	2008	2009	2010
Profits	\$15.8 billion	\$16.8 billion	\$16.4 billion	\$20.7 billion	\$22.2 billion	\$17.4 billion	\$11.0 billion	\$11.6 billion
WI Income Tax	\$0	\$0	\$0	\$0	\$0	\$0	not available	not available

## Some Q's and A's about General Electric's tax-avoidance

### **Q: How does GE avoid federal and state income tax?**

A: We don't know the various techniques GE used to avoid Wisconsin taxes. The most common accounting tricks involve transfers of funds from one subsidiary to another. And GE decides how much to charge one part of its company for the services and products of another part, so it sets internal pricing to minimize taxes.

At the federal level, the New York Times said that GE's tax-avoidance "mixes fierce lobbying for tax breaks and innovative accounting that enables it to concentrate its profits offshore." The company's annual report says it has low (no) taxes "primarily because of benefits from lower-taxed global operations, including the use of global funding structures."

### **Q: How much does GE keep outside US tax laws?**

A: The company's 10-K annual report says: "At December 31, 2010, \$94 billion of earnings have been indefinitely reinvested outside the United States. Most of these earnings have been reinvested in active non-U.S. business operations."

### **Q: Does GE pay property taxes in Wisconsin?**

A: Yes, though as a manufacturer it's entitled to a number of special property tax exemptions. In addition, GE has been battling the City of Pewaukee over the value of its conference and training center there. GE convinced the state to classify the property as manufacturing, which cut its property value in half, from about \$28 million to about \$14 million. That costs Pewaukee about \$170,000 a year. The city is appealing the ruling.

(continued from page 1)

### General Electric: Income-tax free

The company's response to the article was the same as other corporate tax-avoiders. In reply to the Times article, GE said, in effect: "We obey all tax laws. We work primarily to bring profit to our shareholders. We bring many benefits to the communities in which we do business. And we do pay lots of taxes --sales tax, property tax and payroll taxes."

If corporations are people, as many policy-makers insist, they—like good human citizens—should pay all these appropriate taxes, and income tax as well. It's no excuse to tell the tax-collector: "Oh, I've already paid sales tax and property tax. Isn't that enough?"

Now, for the first time, there is documentation on GE's tax avoidance at the state level in Wisconsin. The state is struggling to stay afloat financially. There

have been severe cuts to public schools, the technical colleges and the university system. Tens of thousands of Wisconsinites are being squeezed out of the medical care system. Corporate income taxes are critically needed to help maintain the state's fiscal stability.

GE says it's doing nothing illegal, that it's merely obeying existing tax laws. But the company is known as a tenacious lobbyist working hard to create the tax laws needed to avoid paying its fair share. If the laws of Wisconsin allow GE to legally avoid a significant obligation, then the tax laws should be changed.

General Electric, you are such a good corporate citizen in so many ways. Why can't you just pay your income tax?

---

**Sources:** Profit data and other corporate information from firms' web sites and 10-K reports to the U.S. Securities and Exchange Commission. Tax data from the Wisconsin Department of Revenue. Tax data first appeared in Milwaukee Labor Press and Union Labor News (Madison).

---



**INSTITUTE FOR WISCONSIN'S FUTURE**  
*policy research in the public interest*

325 West Silver Spring, Glendale, WI 53217  
414-967-1682 • [iwf@wisconsinsfuture.org](mailto:iwf@wisconsinsfuture.org)  
[www.wisconsinsfuture.org](http://www.wisconsinsfuture.org)