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## **State's wealthiest family is a master of corporate tax avoidance**

SC Johnson's misleading press statement fails to refute charges of tax manipulations

The richest family in Wisconsin—heirs of the S.C. Johnson fortune—own or control three large Wisconsin-based companies that between 2000 and 2008 paid not a penny in state income tax, according to state records. Each of the four richest Johnsons has \$2 billion net worth, according to *Forbes* magazine.

This week, in an attempt to deflect public awareness away from its accounting methods, SC Johnson Inc. issued a press release that tried—and failed—to refute points made recently both by the Institute for Wisconsin's Future and by nationally-noted Reuters columnist David Cay Johnston.

The company's reply attempts to obscure the main issue: Wisconsin needs a thorough review of its corporate tax practices. The rest of us shouldn't have to pay extra to make up for taxes not paid by billionaires.

The story began several weeks ago, when the Institute for Wisconsin's Future disclosed that three firms owned or controlled by the Johnson family—SC Johnson, Johnson Outdoors and Diversey—have paid zero in state income tax since at least 2000, according to the Department of Revenue. Data are available through 2008 for two of the firms and through 2009 for Diversey. None of the firms has challenged the fact that they pay no state income tax.

During those years, Diversey and Johnson Outdoors had total pretax profits of \$402 million. SC Johnson's profits are private, but its sales exceed \$8 billion a year and its profits likely exceed those of the two other smaller firms.

How do the companies avoid Wisconsin taxes? Details on SC Johnson's techniques became public last week with the anonymous disclosure of a study that PricewaterhouseCoopers (PwC), a major accounting firm, did for it in 2008. The PwC study described how, as of 2006, SC Johnson avoided Wisconsin taxes by using devices such as interest payments on a loan from one branch of the company to another and royalty payments transferred among company branches. The study was described by Reuters' columnist Johnston.

In its press statement, SC Johnson describes Wisconsin's Research & Development (R&D) tax credit, implying that it used these funds to offset its tax liability. But the PwC report shows that SC Johnson doesn't actually use the R&D credit but stockpiles it for some future date. As of June 30, 2006, it had eleven years worth of unused credits. It actually uses the complicated internal transfers of cash to avoid Wisconsin taxes. SC Johnson wants to focus attention on the R&D credit, which it believes has public support, rather than the intricate maneuvers it actually uses to avoid taxes.

The company notes that "the intercompany loan [Johnston] references does not exist today." The key word is "today." The company doesn't deny that the loan once existed and was used for that purpose in 2006 or more recently.

Columnist Johnston had raised the possibility that the firm has gone years without a thorough audit by the Department of Revenue. In reply, the company statement listed seven states that audit the firm. Wisconsin is not on the list.

And the company notes that it pays sales taxes and property taxes in Wisconsin. True, but so do millions of citizens and other businesses, who pay income tax in addition. SC Johnson should not get to pick and choose which tax to pay.

For more details, including copies of the various documents referred to in this press release, see the IWF web site at: [www.wisconsinsfuture.org](http://www.wisconsinsfuture.org).

The Institute for Wisconsin's Future is a non-profit research and public education organization based in Glendale, a suburb of Milwaukee. Its work is funded primarily by national philanthropies.

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