

Tuesday, August 30, 2011

**Statement by Kelly M. Semrau, Senior Vice President – Global Corporate Affairs, Communication & Sustainability**

**Statement in Response to David Cay Johnston August 26 Article Entitled, “Wiping Out Wisconsin Taxes”**

Late last week, Reuters editorial writer David Cay Johnston released a sensationalist piece about SC Johnson’s tax practices. Using questionable sources and twisting facts, he delivered a completely misleading article designed to persuade readers that SC Johnson is acting unethically and illegally.

The company reached out to Reuters immediately, and Reuters indicated that they “cannot and will not offer a retraction or any corrections.” And of course, as all stories on the Internet do, this unfounded and irresponsible piece is spreading widely and causing further unwarranted damage to SC Johnson.

Mr. Johnston launched an attack on SC Johnson to drag us through the mud. He lacks the facts to draw the conclusion that he wants readers to make. This journalistic irresponsibility should not be tolerated, and I want to set the record straight:

1. Mr. Johnston’s “source” is a PricewaterhouseCoopers document from 2008. When we asked him to share the document, he refused – so we don’t know definitively what it was or if it was altered in some way. But we believe it was an unused business pitch from an outside consultant. This pitch was not implemented, accepted or paid for by SC Johnson. It was among documents stolen from SC Johnson and has been the subject of a court case with a disgruntled former employee, Mr. Michael DeGuelle. SC Johnson has won the court case. It calls into grave question Mr. Johnston’s possession of it. He also falsely claims that an SC Johnson spokesman acknowledged the document’s authenticity. This is not true since Mr. Johnston refused to share it upon request. ([Click here](#) to view court ruling.)

2. He makes huge leaps regarding how profits could have been converted into expenses, without even acknowledging the obvious answer that is a matter of the Wisconsin state tax record: the 1984 Wisconsin Research & Development (R&D) tax credit, which encourages companies to move R&D jobs to the state. By locating its R&D facility in Wisconsin and thus giving employment to more than 500 people in the state, SC Johnson’s R&D tax credit in the last several years well exceeds what would be owed in state income taxes. In fact, as Wisconsin income taxes are based just on the sales of SC Johnson products in Wisconsin, the company’s maximum tax obligation would be less than \$500,000 absent any tax credits or deductions. However, if the Wisconsin legislature decides there is benefit in changing the R&D tax credit versus attracting and retaining jobs in the state, SC Johnson would of course pay whatever taxes would be assessed. Furthermore, to take such a narrow view of the tax impact of SC Johnson would be ill-conceived. The company employs 2,500 people in Wisconsin and last year spent \$265 million with

Wisconsin suppliers and partners, who in turn provide jobs and pay taxes. SC Johnson last year paid more than \$3 million on state sales and use taxes, as well as nearly \$3 million in state property taxes.

3. Mr. Johnston muddies his accusations throughout his article by intermingling global and Wisconsin numbers. Apparently he does not understand Wisconsin tax rules that exempt foreign dividends. Likewise, he implies that SC Johnson is somehow related to Diversey, Inc., Johnson Outdoors Inc. and Johnson Bank which are all legally separate from SC Johnson. To group these companies together, or to reference SC Johnson as a “parent company” in this way, is inaccurate and misleading.

4. He implies SC Johnson has been acting outside tax laws, yet completely ignores the fact that like many companies, SC Johnson is audited every year by the IRS, and also by various states such as New York, California, Illinois, Florida, Texas, Massachusetts, New Jersey and others.

5. He claims that SC Johnson improperly wiped out taxable profits using a combination of intercompany loans, royalty payments and other actions. Yet in truth, the intercompany loan he references does not exist today. He also uses a hypothetical interest rate of 10 percent, which is not in the original PricewaterhouseCoopers document, to create a false impression that the company is doing something wrong. As a matter of fact, to meet IRS and state code, we have to regularly review interest rates for loans made to ensure they are arms length. The Home Storage royalties he references were in fact included in tax returns in Michigan, California and other states – clearly not “low-tax jurisdictions” as he states in his article.

6. Mr. Johnston implies that the Johnson family did not pay any corporate income taxes in Wisconsin. Not only is it deceptive language since NO family would pay corporate income taxes – corporate taxes are paid by companies, not individuals – it simply isn't true.

7. He references “indications” that SC Johnson's profits were more than a billion dollars and possibly many billions. Any speculation is nothing short of a wild guess. There is absolutely no way for Mr. Johnston to come up with a valid number on which to base his speculations about the company and its taxes.

8. He states that “SC Johnson was able to wipe out this \$158 million in taxable profit” which is patently false.

9. He completely ignores numerous facts about SC Johnson and its actions as a good corporate citizen that contributes to the local Wisconsin economy. The company provides employment for 2,500 people in Wisconsin and last year spent \$265 million on Wisconsin suppliers and partners, who in turn provide jobs

and pay taxes. Last year the company also paid more than \$3 million on state sales and use taxes, as well as nearly \$3 million in state property taxes.

Finally, as we read in the press about the unscrupulous and illegal methods that news organizations are employing to get information to do sensationalist news pieces, we are outraged. It's our opinion that using a stolen document that is subject to a court order where the defendant Mr. Michael DeGuelle has been found to have defamed SCJ and has been ordered to pay damages to the company is something that shocks us. I urge you to read the judge's decision.

There is important dialogue that should be happening in our country about taxes. But rather than discussing important tax issues – or even reporting facts – Mr. Johnston and his publishers appear to simply want a sensationalist and inaccurate “gotcha” story that will drive media traffic.

There is no “gotcha” here. SC Johnson is a law-abiding corporate citizen. To suggest anything else – particularly on the merits of the completely unsubstantiated argument that Mr. Johnston has put together – is dangerously lacking in integrity and responsibility.