

# It's Hammer Time for Corporate Tax Dodgers!

**STANLEY WORKS**, makers of hammers, tape measures and other common tools, has plans to reincorporate to Bermuda. Although it will keep operational headquarters in Connecticut, **opening a P.O. Box in the offshore tax haven will cut its U.S. taxes by \$30 million annually.**

Stanley Works is not the only U.S.-based multinational to pull this tax dodge. Others include **GLOBAL CROSSING, TYCO INTERNATIONAL**, construction giant **FOSTER WHEELER, COOPER INDUSTRIES** and Stanley competitor **INGERSOLL-RAND**, which reincorporated in Bermuda last December, for an estimated tax savings of \$60 million this year alone.

Experts expect a flood of such corporate inversions, the same way that many companies once moved their nominal U.S. headquarters to Delaware to take advantage of that state's low corporate tax burdens and flexible laws regarding corporate structure. In other words, **offshore reincorporation is just the latest tool in the corporate "race to the bottom."**

## WHO BENEFITS?

Corporate officials don't deny that they are moving offshore to reduce their taxes. They claim that the move will primarily benefit their shareholders. But many shareholders are beginning to vote against the move because **Bermuda laws reduce the rights of**

**shareholders to hold management accountable.**

As the *New York Times* reports, the biggest beneficiaries could actually be the chief executives of these companies, since shareholders have to pay capital gains taxes when the move is made, while much of the CEO's windfall – which comes in the form of higher pay, bonuses, and profits from the sale of stock options – is not taxed. **"In some cases, [the CEO] could well take home extra pay equal to half the company's tax savings or more,"** the *Times* reports. **"In effect, the government's loss in taxes is the chief executives' gain."** (David Cay Johnston, "Officers May Gain More Than Investor In Move to Bermuda," *New York Times*, May 20, 2002, page A1)

At Stanley Works, for instance, CEO John Trani claims that his only motive in proposing the move to Bermuda is to build wealth for all shareholders. But Trani would have to pay less than \$50,000 in capital gains taxes on his 16,688 shares. The rest of his holdings are in options and retirement accounts – neither of which is taxable in the move. In addition, Trani could give his taxable holdings to charity, further reducing his federal income taxes by \$300,000.

**U.S. Treasury Department officials estimate that between \$70 and \$155 billion a year already disappears into the "Bermuda Triangle" of offshore tax havens.** Nevertheless, Treasury Department officials suggest that the U.S. should lower its corporate taxes to remove the incentive corporations have to move offshore. **But reducing corporate taxes will only make the federal budget crisis more serious, and shift the tax burden onto the rest of the public.**

Corporations already pay less than their fair share. According to Citizens for Tax Justice, **corporations paid close to an all-time low in taxes this year – 1.3 percent of the nation's Gross Domestic Product, or the lowest since 1983.** This is down from 4.5 percent during the Truman/Eisenhower era. (see <http://www.ctj.org/html/corp0302.htm>)

**ENRON**, for instance, paid no taxes in four of the last five years – even without having to reincorporate its headquarters offshore (the company had over 880 subsidiaries in offshore tax havens, which it used to shuffle around loans and debt, thus saving a reported \$1 billion in taxes).

## PATRIOT GAMES

While shrugging off their patriotic duty to pay taxes, **some corporate tax dodgers still get our tax money in the form of government contracts.** Accenture, the Bermuda-based consulting firm that was once part of Arthur Andersen, has received numerous multimillion dollar contracts from the federal government, including a 5-year contract to redesign the IRS's own Web site!

Tyco has over 1,800 government contracts, including one to provide alarms to the Treasury Department itself. And PwC Consulting, the company split off from PricewaterhouseCoopers, "a Luxembourg corporation owned by a Bermuda corporation," is registered as a lobbyist on its own behalf to hustle consulting contracts with the new Office of Homeland Security.

How secure does that make you feel?





# Take Action!



## What You Can Do

### TELL CONGRESS TO STOP THE CORPORATE TAX DODGERS:

*TELL YOUR REPRESENTATIVE TO CO-SPONSOR THE FOLLOWING BILLS:*

**Corporate Patriot Enforcement Act of 2002 (H.R. 3884)**, introduced by Congressman Richard Neal (D- MA). This bill would amend the Internal Revenue Code of 1986 to prevent corporations from avoiding the U.S. corporate income tax by reincorporating in a foreign country.

**Patriotic Purchasing Act of 2002 (H.R. 4831)**, introduced by Congressman Jim Turner (D-TX), this bill would prohibit certain expatriated corporations from being eligible for the award of federal contracts.

**No Tax Breaks for Corporations Renouncing America Act (H.R. 4993)**, introduced by Congressman Lloyd Doggett (D-TX), this bill would prevent corporations who reincorporate abroad for tax avoidance purposes from benefiting from U.S. international tax treaties.

### TELL YOUR SENATORS TO CO-SPONSOR THE FOLLOWING BILLS:

**Reversing the Expatriation of Profits Offshore Act – “REPO Act” (S. 2119)**, referred to the Finance Committee. Introduced by Senator Grassley (R-IA), this bill would set parameters by which a foreign incorporated corporation is treated as a domestic corporation for purposes of taxation.

### TELL THE GOVERNMENT TO STOP GIVING CONTRACTS TO TAX DODGERS:

Write/Call/E-mail President Bush and tell him to stop giving government contracts like the IRS contracts and Office of Homeland Security contract to companies that have reincorporated offshore to avoid paying U.S. taxes.

White House Address:  
*1600 Pennsylvania Ave, Washington, DC 20500*

White House Phone:  
*202-456-1111*

George W. Bush's e-mail:  
*president@whitehouse.gov*

### TELL STANLEY WORKS AND THESE OTHER COMPANIES YOU WON'T BUY PRODUCTS FROM TAX DODGERS

**Stanley Works makes:** hand tools, tape rules, pliers, screwdrivers, entry doors, hinges, wood shears, chainsaws, tool storage systems, and more. *Call Stanley at 1-800-STANLEY.*

**Cooper Industries makes:** wrenches, pliers, drivers, fastening tools, scissors, snips, cutters, universal joints, multipurpose tools, wiring devices, security and fire alarms, lighting fixtures, electrical systems, and much more. *Call Cooper at 713-209-8400.*

**Ingersoll-Rand makes:** Schlage door locks, Kryptonite bike locks, Bobcat mini-track loaders and skid-steer loaders, Dor-O-Matic automatic doors, and much more. *Call Ingersoll-Rand at 201-573-0123.*

**Tyco makes:** electrical and electronic components, disposable medical products, plastics, adhesives, flow control valves, and much more. *Call Tyco at 603-778-9700*

**Fruit of the Loom makes:** underwear, activewear, BVD apparel, and more. *Call Fruit of the Loom at 214-891-570*



For more information:

**Citizen Works: 202-265-6164**

[www.citizenworks.org](http://www.citizenworks.org)

