

# Corporate Income Taxes in the Bush Years

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Kelci Karl worked on the report as an intern for the Institute in the summer of 2004. Her intelligence, cheerfulness, perseverance and diligence were invaluable in ensuring the accuracy of the report.

## Dedication

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This report is dedicated to the memory of Leslie R. Zacharias of Newark, Delaware. Inspired by what he called his "almost life-long deep concern for the increasingly vast discrepancy between the wealth, luxury, and power of the few and their unconcern for the many disadvantaged persons in this nation," Mr. Zacharias decided to "try to ameliorate the extreme injustice of the tax system" through a generous bequest to the Institute in 2002. We are extremely grateful.

## Note

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All of the underlying research for this report was performed by the Institute on Taxation and Economic Policy. Citizens for Tax Justice provided technical advice and wrote the main text of the report.

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Following the tragic events of September 11, 2001, Americans joined together in grief and solidarity to support each other and our country. Corporate America also rallied to a cause, but it wasn't in support of our nation. On the contrary, it was tax avoidance.

In the fall of 2001, corporate lobbyists descended upon Washington, D.C. to try to turn our nation's bad fortune to their companies' advantage. They sought huge new tax breaks, even refunds of taxes paid in the past. Major accounting firms assisted in the lobbying, and also redoubled their efforts to market offshore tax shelters to their corporate clients, even recommending renunciation of their U.S. citizenship. They told companies, in Ernst & Young's infamous phrase, that "the improvement on earnings is powerful enough that maybe the patriotism issue needs to take a back seat."

The loophole-seeking corporations and accounting firms found eager allies among our political leaders on Capitol Hill and the White House. In early 2002, Congress passed and President George W. Bush signed legislation hugely expanding corporate tax breaks, and then extended and expanded those tax breaks in 2003. In combination, the two bills are expected to cost the U.S. Treasury \$175 billion from 2002 through 2004. At the same time, proposals to crack down on even the most abusive corporate tax-sheltering activities were blocked by Congressional leaders and the White House.

As a result of these actions and inactions by our government, corporate income taxes in fiscal 2002 and 2003 fell to their lowest sustained share of the economy since World War II. (Only a single year during the early Reagan administration was lower.) From 2001 to 2003, the Commerce Department reports that pretax corporate profits grew by 26 percent. But over that same period, corporate income tax payments to the federal government fell by 21 percent.

This study details which companies have benefitted the most from the decline in corporate taxes over the past three years, and which have been less fortunate. It also measures the effects of loopholes in our corporate tax laws that predated the George W. Bush administration.

Specifically, the study looks at the federal income taxes paid or not paid by 275 of America's largest corporations in 2001, 2002 and 2003. The companies in our report are all from *Fortune's* 2004 list of America's 500 largest corporations, and all of them were profitable in each of the three years analyzed. Over the three years, the 275 companies in our survey reported pretax U.S. profits of \$1.1 trillion. Pretax profits for

our 275 companies jumped by 26 percent from 2001 to 2003—just as the Commerce Department reports for corporations overall—even as their average effective income tax rate fell by a fifth. In total, the meager tax payments by our 275 companies represented more than two-fifths of total federal corporate income tax collections over the calendar 2001-03 period.

Our study compares what companies report in federal corporate income tax payments to their reported pretax U.S. profits, and computes effective tax rates (taxes divided by reported profits). We provide results both for each of the 275 individual companies and by industry. We look at historical trends, and provide specific information on how companies have lowered their tax bills below the statutory 35 percent tax that the law ostensibly imposes.

This study is a continuation of similar corporate-tax reports by Citizens for Tax Justice and the Institute on Taxation and Economic Policy dating back to 1984. Our most recent prior report, issued in 2000, covered corporate taxes in 1996 through 1998. As in our previous reports, the study includes some companies that paid substantial taxes and others that paid little or nothing. The methodological appendix at the end of the study explains in more detail how the companies were chosen and how effective tax rates were calculated. The 24 pages of notes on specific companies add more details.

#### **Previous CTJ and ITEP Corporate Tax Studies**

- *Corporate Income Taxes in the Reagan Years* (Citizens for Tax Justice 1984)
- *The Failure of Corporate Tax Incentives* (CTJ 1985)
- *Corporate Taxpayers and Corporate Freeloaders* (CTJ 1985)
- *Money for Nothing* (CTJ & the Institute on Taxation and Economic Policy 1986)
- *130 Reasons Why We Need Tax Reform* (CTJ & ITEP 1986)
- *The Corporate Tax Comeback* (CTJ & ITEP 1988)
- *It's Working, But . . .* (CTJ & ITEP 1989)
- *Corporate Income Taxes in the 1990s* (ITEP 2000)

## Who's Paying Corporate Taxes—and Who's Not

Obviously, the federal tax code requires corporations to pay 35 percent of their profits in income taxes. But only a small proportion of the 275 corporations in our study paid federal income taxes anywhere near that statutory 35 percent tax rate. Instead, the vast majority paid considerably less. In fact, in 2002 and 2003, the average effective tax rate for all 275 companies was less than half the statutory 35 percent rate. Over the 2001-2003 period, effective tax rates ranged from a low of -59.6 percent for Pepco Holdings to a high of 34.5 percent for CVS. The average effective rate for all 275 companies dropped by a fifth, from 21.4 percent in 2001 to 17.2 percent in 2002-2003.

Here are some startling statistics:

- **Eighty-two of the 275 companies, almost a third of the total, paid zero or less in federal income taxes in at least one year from 2001 to 2003.** In the years they paid no income tax, these companies earned \$102 billion in pretax U.S. profits. But instead of paying \$35.6 billion in income taxes as the statutory 35 percent corporate tax rate seems to require, these companies generated so many excess tax breaks that they received outright tax rebate checks from the U.S. Treasury, totaling \$12.6 billion (see box). These companies' "negative tax rates" meant that they made more after taxes than before taxes in those no-tax years.

82 COMPANIES PAYING ZERO OR LESS IN TAXES IN ONE OR MORE YEARS, 2001-2003 (\$-million)			
	In the no-tax years		
	Profits	Rebates	Rate
2003 (46 cos.)	\$ 42,622	\$ -5,438	-12.8%
2002 (43 cos.)	43,530	-4,945	-11.4%
2001 (33 cos.)	15,664	-2,184	-13.9%
	<b>\$ 101,816</b>	<b>\$ -12,568</b>	<b>-12.3%</b>

- **Twenty-eight corporations enjoyed negative federal income tax rates over the entire 2001-03 period.** These companies, whose pretax U.S. profits totaled \$44.9 billion over the three years, included, among others: Pepco Holdings (-59.6% tax rate), Prudential Financial (-46.2%), ITT Industries (-22.3%), Boeing (-18.8%), Unisys (-16.0%), Fluor (-9.2%) and CSX (-7.5%), the company previously headed by our current Secretary of the Treasury.
- **In 2003 alone, 46 companies paid zero or less in federal income taxes.** These 46 companies, one out of six of the companies in the study, told their shareholders they earned U.S. pretax profits in 2003 of \$42.6 billion, yet they received tax rebates totaling \$5.4 billion. Almost as many companies, 42, paid no tax in 2002, reporting \$43.5 billion in pretax profits, yet receiving \$4.9 billion in tax rebates. From 2001 to 2003, the number of no-tax companies jumped from 33 to 46, an increase of 40 percent.

### Yes, the U.S. Treasury Really Does Send Corporations Tax-Rebate Checks

In any given year, net federal corporate income taxes reflect cash payments made by corporations to the Treasury minus tax refunds paid by the government to corporations. In some cases, companies may mistakenly overpay their estimated taxes in a given period, and if the error is big enough may receive a refund check from the Treasury in a later period. In other cases, companies may obtain a favorable settlement of a tax dispute with the IRS covering a year or years in the past, and get a refund check.

More important, the Treasury also pays companies refunds when they report "tax losses," and are able to carry them back to get refunds of taxes paid in earlier years. Sometimes, those tax losses coincide with actual business losses. Other times, the "losses" are only for tax purposes.

From calendar 1998 to 2000, the size of the tax refunds paid to corporations was remarkably consistent, barely varying from the average of just under \$30 billion a year. But after 2000, the size of the corporate refund checks increased sharply.

- In calendar 2001, the Treasury paid corporations \$40 billion in tax refunds, a third more than the 1998-2000 average.
- Then in calendar 2002 and 2003, after the law was changed to expand tax subsidies and make it easier for corporations to carry back excess tax breaks to earlier years, corporate tax refunds skyrocketed to an average of \$63 billion a year—more than double the 1998-2000 average.

## The Size of the Corporate Tax Subsidies

Over the 2001-03 period, our 275 companies earned almost \$1.1 trillion in pretax profits in the United States. Had all of those profits been reported to the IRS and taxed at the statutory 35 percent corporate tax rate, then the 275 companies would have paid \$370 billion in income taxes over the three years. But instead, the companies reported only about half of their profits—\$557 billion—to the IRS. Instead of a 35 percent tax rate, the companies as a group paid a three-year effective tax rate of only 18.4 percent.

### 82 Companies Paying Zero Tax or Less in at Least One Year, 2001–2003

Company (\$-millions)	In No-Tax Years			# of zero tax years	Company (\$-millions)	In No-Tax Years			# of zero tax years
	Profit	Tax	Rate			Profit	Tax	Rate	
Pepco Holdings	\$ 725	\$ -432	-59.6%	3	Consolidated Edison	852	-120	-14.0%	1
ITT Industries	821	-183	-22.3%	3	Brunswick	106	-15	-13.7%	1
Unisys	334	-53	-16.0%	3	Southwest Airlines	398	-51	-12.8%	1
Principal Group	2,025	-259	-12.8%	3	Verizon	5,642	-685	-12.1%	1
NCR	708	-41	-5.8%	3	Kelly Services	18	-2	-12.6%	1
Ryder	318	-10	-3.1%	3	Devon Energy	344	-39	-11.3%	1
Computer Sciences	1,291	-31	-2.4%	3	Toys "R" Us	147	-16	-10.9%	1
Shaw Group	276	-6	-2.2%	3	Smith International	39	-4	-11.5%	1
Saks	271	-6	-2.2%	3	American Express	1,367	-140	-10.2%	1
Prudential Financial	437	-1,146	-262.3%	2	Marriott International	384	-38	-9.9%	1
Ingram Micro	53	-21	-40.3%	2	Boston Scientific	376	-37	-9.9%	1
CenterPoint Energy	1,218	-401	-32.9%	2	Ikon Office Solutions	146	-11	-7.7%	1
Reebok	35	-9	-26.1%	2	Rockwell Automation	113	-8	-7.0%	1
AT&T	5,628	-1,389	-24.7%	2	Newell Rubbermaid	249	-14	-5.5%	1
CSX	556	-137	-24.7%	2	SBC Communications	8,941	-476	-5.3%	1
Reliant Resources	340	-74	-21.7%	2	Eaton	329	-17	-5.2%	1
Timken	90	-19	-21.6%	2	John Hancock	756	-39	-5.1%	1
Pitney Bowes	1,108	-200	-18.0%	2	Ball	121	-5	-4.4%	1
Baxter	1,278	-198	-15.5%	2	Wachovia	4,055	-164	-4.0%	1
Fisher Scientific International	91	-14	-15.4%	2	Humana	188	-7	-3.7%	1
FPL Group	2,243	-252	-11.2%	2	Disney, Walt	1,764	-59	-3.4%	1
Time Warner	4,882	-487	-10.0%	2	United Technologies	1,760	-57	-3.3%	1
Caterpillar	830	-81	-9.8%	2	Dominion Resources	1,999	-63	-3.2%	1
KeySpan	1,366	-109	-8.0%	2	Engelhard	192	-5	-2.8%	1
Valero Energy	679	-57	-8.4%	2	Pfizer	6,088	-168	-2.8%	1
Triad Hospitals	333	-28	-8.3%	2	SPX	478	-13	-2.7%	1
Caremark RX	794	-65	-8.2%	2	Lehman Brothers	1,825	-39	-2.1%	1
Manpower	78	-5	-6.0%	2	Mellife	2,926	-67	-2.3%	1
Danaher	1,037	-46	-4.4%	2	Anadarko Petroleum	698	-15	-2.1%	1
Cendant	1,822	-58	-3.2%	2	Bank of New York	1,773	-29	-1.6%	1
Boeing	1,069	-1,700	-159.0%	1	Sara Lee	1,256	-20	-1.6%	1
Entergy	562	-758	-135.0%	1	Burlington Northern Santa Fe	1,226	-18	-1.5%	1
Nucor	79	-59	-74.9%	1	3M	1,656	-21	-1.2%	1
Fluor	46	-29	-63.3%	1	Kinder Morgan	360	-4	-1.2%	1
Wesco International	19	-14	-73.5%	1	Lexmark	307	-2	-0.8%	1
Graybar Electric	14	-8	-57.3%	1	Allstate	1,540	-14	-0.9%	1
JPMorgan Chase	2,515	-1,398	-55.6%	1	Health Net	136	-1	-0.7%	1
Dillard's	20	-5	-27.0%	1	General Electric	11,998	-33	-0.3%	1
Advance Auto Parts	92	-18	-19.2%	1	Allied Waste Industries	274	-0	-0.1%	1
OGE Energy	215	-36	-16.6%	1	Autoliv	59	-0	-0.0%	1
Public Service Enterprise Group	1,369	-208	-15.2%	1	Sysco	1,264	—	—	1
<b>Totals, these 82 companies</b>						<b>\$ 101,816</b>	<b>\$ -12,568</b>	<b>-12.3%</b>	<b>121</b>

- Loopholes and other tax subsidies cut taxes for the 275 companies by \$43.4 billion in 2001, \$60.8 billion in 2002 and \$71.0 billion in 2003, for a total of \$175.2 billion in tax breaks over the three years.
- Half of the total tax-break dollars over the three years—\$87.1 billion—went to just 25 companies, each with more than a billion-and-a-half dollars in tax breaks.
- General Electric topped the list of corporate tax break recipients, with \$9.5 billion in tax breaks over the three years.
- In fact, in 2002 and 2003, our 275 companies sheltered *more than half* of their profits from tax. They told their shareholders they earned \$739 billion in those two years, but they paid taxes on less than half of that, only \$363 billion.

**Top 25 Corporate Tax Break Recipients, 2001-03 (\$-mill.)**

Rank	Company	Pretax Profits	Tax Breaks	Breaks cut taxes by
1	General Electric	\$ 36,809	\$ 9,481	-74%
2	SBC Communications	30,321	9,032	-85%
3	Citigroup	42,968	4,626	-31%
4	IBM	13,935	4,617	-95%
5	Microsoft	29,455	4,599	-45%
6	AT&T	13,453	4,572	-97%
7	ExxonMobil	21,388	4,268	-57%
8	Verizon	12,264	4,234	-99%
9	JPMorgan Chase	10,885	3,929	-103%
10	Pfizer	14,517	3,889	-77%
11	Altria (Philip Morris)	29,192	3,341	-33%
12	Wachovia	12,846	3,259	-72%
13	Boeing	5,688	3,058	-154%
14	Bank of America	38,574	2,959	-22%
15	Time Warner	6,229	2,637	-121%
16	Wells Fargo	23,885	2,459	-29%
17	ConocoPhillips	7,906	1,985	-72%
18	Intel	9,895	1,972	-57%
19	Merrill Lynch	8,893	1,966	-63%
20	Prudential Financial	2,264	1,838	-232%
21	Viacom	9,523	1,812	-54%
22	United Technologies	5,155	1,750	-97%
23	BellSouth	12,663	1,632	-37%
24	Allstate	6,396	1,631	-73%
25	American Express	7,282	1,541	-60%
<b>Total these 25 companies</b>		<b>\$ 412,387</b>	<b>\$ 87,089</b>	<b>-60%</b>
Other 250 companies		644,651	88,075	-39%
<b>All 275 companies</b>		<b>\$ 1,057,038</b>	<b>\$ 175,164</b>	<b>-47%</b>

## Tax Rates by Industry

Effective tax rates varied widely by industry. Over the 2001-03 period, industry effective tax rates for our 275 corporations ranged from a low of 1.6 percent to a high of 27.7 percent. In 2003, the range of industry tax rates was even greater, ranging from a low of -30.0 percent (a *negative* rate) up to a high of 27.9 percent.

- Aerospace and defense companies enjoyed the lowest effective tax rate over the three years, paying only 1.6 percent of their profits in federal income taxes. This industry's taxes declined sharply over the three years, falling to -30.0 percent of profits in 2003.
- Other very low-tax industries, paying less than half the statutory 35 percent tax rate over the entire 2001-03 period, included: transportation (4.3%), industrial and farm equipment (6.2%), telecommunications (7.5%), electronics and electrical equipment (10.8%), petroleum and pipelines (13.3%), miscellaneous services (14.4%), gas and electric utilities (14.4%), computers, office equipment, software and data (16.0%), and metals & metal products (17.4%).
- Not a single industry paid an effective tax rate of more than 29 percent, either for the entire three-year period or in any given year.

Within industries, effective tax rates also varied widely. For example, over the three-year period, average tax rates on oil companies ranged from 3.0 percent for Devon Energy up to 31.4 percent on Marathon Oil. Among aerospace and defense companies, three-year effective tax rates ranged from a low of -18.8 percent for Boeing up to a high of 25.0 percent for General Dynamics. In fact, as the detailed industry table starting on page 19 of this report illustrates, effective tax rates were widely divergent in every industry.

### Effective Corporate Tax Rates for 275 Corporations by Industry, 2001-03

\$-millions	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Aerospace & defense	\$ 17,684	\$ 285	1.6%	\$ 4,448	\$ -1,337	-30.0%	\$ 6,482	\$ 729	11.2%	\$ 6,754	\$ 893	13.2%
Transportation	14,309	619	4.3%	4,612	78	1.7%	5,146	170	3.3%	4,551	372	8.2%
Industrial and farm equipment	6,489	406	6.2%	2,007	78	3.9%	1,995	-23	-1.2%	2,488	351	14.1%
Telecommunications	73,203	5,465	7.5%	22,531	507	2.3%	24,248	-760	-3.1%	26,424	5,718	21.6%
Electronics, electrical equipment	47,023	5,095	10.8%	13,958	1,773	12.7%	16,063	400	2.5%	17,002	2,922	17.2%
Petroleum & pipelines	42,530	5,652	13.3%	19,613	2,603	13.3%	7,852	440	5.6%	15,065	2,609	17.3%
Miscellaneous services	61,378	8,855	14.4%	23,950	2,702	11.3%	20,567	3,042	14.8%	16,861	3,111	18.4%
Utilities, gas and electric	53,794	7,767	14.4%	18,229	354	1.9%	17,355	2,222	12.8%	18,211	5,191	28.5%
Computers, office equip, software, data	74,904	11,949	16.0%	29,927	4,987	16.7%	22,140	3,835	17.3%	22,838	3,127	13.7%
Metals & metal products	7,814	1,362	17.4%	2,986	305	10.2%	2,648	594	22.4%	2,180	463	21.2%
Financial	285,589	56,222	19.7%	117,802	22,486	19.1%	88,331	17,474	19.8%	79,456	16,262	20.5%
Chemicals	5,424	1,129	20.8%	1,780	402	22.6%	1,882	377	20.0%	1,763	351	19.9%
Pharmaceuticals & medical products	71,010	15,339	21.6%	25,977	5,561	21.4%	24,214	5,340	22.1%	20,819	4,437	21.3%
Miscellaneous manufacturing	27,319	6,043	22.1%	10,068	2,345	23.3%	9,197	1,672	18.2%	8,053	2,026	25.2%
Health care	25,432	5,674	22.3%	11,468	2,614	22.8%	7,942	1,848	23.3%	6,022	1,213	20.1%
Publishing, printing	11,103	2,551	23.0%	4,488	1,088	24.2%	3,872	806	20.8%	2,742	656	23.9%
Motor vehicles and parts	6,097	1,418	23.3%	2,287	456	19.9%	2,180	552	25.3%	1,630	411	25.2%
Food & beverages & tobacco	74,024	17,589	23.8%	23,916	5,786	24.2%	26,942	5,974	22.2%	23,166	5,829	25.2%
Household & personal products	19,354	4,688	24.2%	7,485	2,085	27.9%	6,628	1,276	19.2%	5,241	1,327	25.3%
Retail & wholesale trade	132,558	36,692	27.7%	51,741	13,877	26.8%	44,220	12,216	27.6%	36,597	10,598	29.0%
<b>ALL INDUSTRIES</b>	<b>\$ 1,057,038</b>	<b>\$ 194,799</b>	<b>18.4%</b>	<b>\$ 399,274</b>	<b>\$ 68,749</b>	<b>17.2%</b>	<b>\$ 339,903</b>	<b>\$ 58,185</b>	<b>17.1%</b>	<b>\$ 317,861</b>	<b>\$ 67,866</b>	<b>21.4%</b>

## Historical Comparisons of Tax Rates and Tax Subsidies

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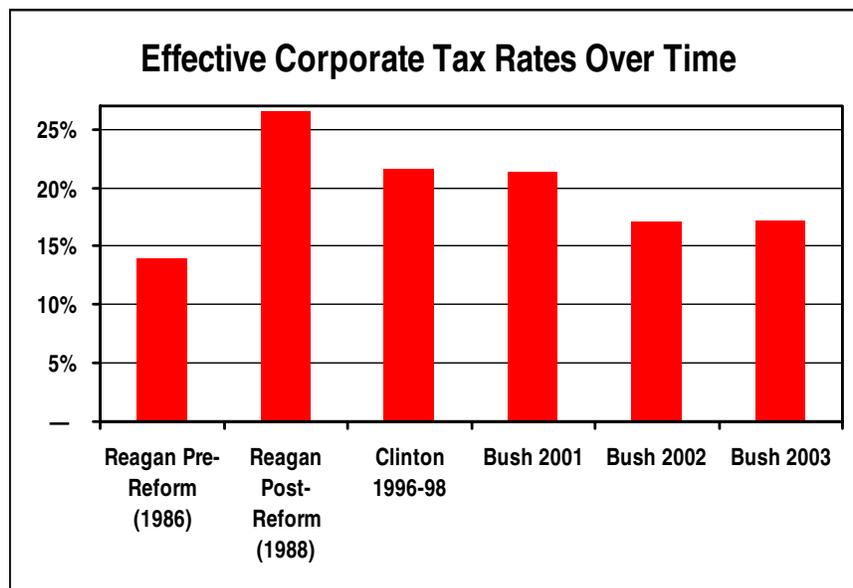
**H**ow do our results for 2001 to 2003 compare to corporate tax rates in earlier years? The answer illustrates how corporations have managed to get around some of the corporate tax reforms enacted back in 1986, and how tax avoidance has surged with the help of our current political leadership.

In 1986, President Ronald Reagan fully abandoned his earlier policy of showering tax breaks on corporations. The Tax Reform Act of 1986 closed tens of billions of dollars in corporate loopholes, so that by 1988, our survey of large corporations for that year found that the overall effective corporate tax rate was up to 26.5 percent. That improvement occurred even though the statutory corporate tax rate was cut from 46 percent to 34 percent as part of the 1986 reforms.<sup>1</sup>

In the 1990s, however, many corporations began to find ways around the 1986 reforms, abetted by tax-shelter schemes devised by major accounting firms. As a result, in our 1996-98 survey of 250 companies, we found that their average effective corporate tax rate had fallen to only 21.7 percent.

That effective tax rate stayed about the same in 2001, at 21.4 percent. But corporate tax cut legislation enacted in 2002 and 2003, continued corporate offshore tax-sheltering and other factors have changed that substantially:

- The overall effective corporate tax rate on our 275 companies dropped to an average of only 17.2 percent in the 2002-03 period.
- As noted earlier, the total tax subsidies received by the 275 corporations in our survey rose from \$43.4 billion in 2001, to \$60.8 billion in 2002 and to \$71.0 billion in 2003.
- In 2002 and 2003 (as also previously noted), corporate tax breaks wiped out more than half of the taxes that our 275 companies would otherwise have owed at the 35 percent statutory corporate tax rate.



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<sup>1</sup>The statutory rate was increased to 35 percent in President Bill Clinton's 1993 deficit reduction act.

We can also see the results of corporate lobbying, congressional action (and inaction) and aggressive corporate tax sheltering in national budget and economic data:

- In fiscal 2002 and 2003, federal corporate incomes taxes dropped to their lowest sustained level as a share of the economy since World War II. Only a single year during the early Reagan administration was lower.
- Corporate taxes paid for more than a quarter of federal outlays in the 1950s and a fifth in the 1960s. They began to decline during the Nixon administration, yet even by the second half of the 1990s, corporate taxes still covered 11 percent of the cost of federal programs. But in fiscal 2002 and 2003, corporate taxes paid for a mere 6 percent of our government's expenses.



- Forty years ago, corporate income taxes were a considerably larger share of our economy than were corporate taxes in other industrialized countries. But today, our corporate taxes as a share of the economy are far lower than those in almost every other major industrialized country.

## Why Companies Pay Low Tax Bills

**W**hy do we find such low tax rates on so many companies and industries? The 24 pages of company-by-company notes starting on page 44 detail, where available, reasons why particular corporations paid low taxes. Here is a summary of several of the major tax-lowering items that are revealed in the companies' annual reports—plus some that aren't disclosed.

**Accelerated depreciation.** The tax laws generally allow companies to write off their capital investments considerably faster than the assets actually wear out. This "accelerated depreciation" is technically a tax deferral, but so long as a company continues to invest, the tax deferral tends to be indefinite. In 2002 and again in 2003, Congress passed and President Bush signed new business tax breaks totaling \$175 billion over the 2002-04 period. These new tax subsidies centered on a huge expansion in accelerated depreciation, coupled with rules making it easier for companies with an excess of tax breaks to get tax rebate checks from the Treasury by applying their excess tax deductions to earlier years and still other new tax subsidies. Corporate annual reports do not always disclose tax savings from accelerated depreciation, and when they do, it is typically on a worldwide basis (including not only federal benefits, but also state and foreign benefits, if any). When companies have engaged in extensive merger or spin-off activities, it can also be hard to calculate depreciation benefits. With these caveats, however, the data do allow us to follow trends in accelerated depreciation tax subsidies:

- For all of our companies reporting accelerated depreciation information, tax savings rose from \$15.0 billion in 2001 to \$22.6 billion in 2002 and to \$33.3 billion in 2003, for a total of \$70.9

billion over the three years.<sup>2</sup> Thus, from 2001 to 2003, tax savings from accelerated depreciation reported by our companies more than doubled.

- Despite these huge new depreciation tax breaks, which were sold as investment “incentives,” new investments in property, plant and equipment fell for the 275 companies as a whole, dropping by 12 percent in 2002 and by another 3 percent in 2003.<sup>3</sup>
- Two-thirds of the total reported tax savings from accelerated depreciation in our survey went to just 25 of the 275 companies. These 25 corporations reported a total of \$46.5 billion in accelerated-depreciation tax savings over the three years, an average of \$1.9 billion each.
- Leading the top-25 list are SBC Communications, with \$5.8 billion in accelerated depreciation tax savings, Verizon (with \$4.5 billion), Devon Energy ( \$4.4 billion), ExxonMobil (\$2.9 billion) and Wachovia ( \$2.8 billion).

**25 Companies with the Largest Accelerated Depreciation Tax Breaks**

Company (\$-millions)	Tax savings from accelerated depreciation			
	2001	2002	2003	3 years
SBC Communications	\$ -934	\$ 2,482	\$ 4,207	\$ 5,755
Verizon	918	1,192	2,363	4,473
Devon Energy	1,495	674	2,189	4,358
ExxonMobil	-620	1,516	2,030	2,926
Wachovia	836	1,119	811	2,766
General Electric	748	1,199	665	2,612
ConocoPhillips	1,363	716	289	2,368
AT&T	1,027	-114	626	1,539
Citigroup	762	670	58	1,490
Valero Energy	1,064	87	265	1,415
Burlington Resources	1,023	-7	343	1,359
JPMorgan Chase	88	559	708	1,355
Pepco Holdings	11	1,095	243	1,350
U.S. Bancorp	449	636	255	1,341
Apache	306	164	765	1,235
FPL Group	-44	716	560	1,232
Burlington Northern Santa Fe	289	477	448	1,214
Weyerhaeuser	-1	1,071	126	1,196
BellSouth	312	203	630	1,145
Exelon	581	80	285	946
Boeing	164	-1	753	916
Public Service Enterprise Group	207	235	451	893
CenterPoint Energy	NR	391	490	881
Union Pacific	143	377	356	876
Fifth Third	266	319	251	836
<b>Total these 25 companies</b>	<b>\$ 10,453</b>	<b>\$ 15,857</b>	<b>\$ 20,167</b>	<b>\$ 46,477</b>
Other 250 companies	4,517	6,792	13,134	24,442
<b>All 275 companies</b>	<b>14,969</b>	<b>22,649</b>	<b>33,301</b>	<b>70,919</b>

Note: negative figures reflect lower tax than book depreciation, i.e., a tax cost. NR = not reported.

**Stock options.** Most big corporations give their executives and other employees options to buy the company’s stock at a favorable price in the future. When those options are exercised, corporations can take a tax deduction for the difference between what the employees pay for the stock and what it’s worth.<sup>4</sup> But in reporting profits to shareholders, companies do not treat the effects of stock-option transactions as business expenses—based on the arguable theory that issuing stock at a discount doesn’t really reduce profits because the market value of a company’s

<sup>2</sup>Because of the way the 2002 and 2003 legislated increases in accelerated depreciation were structured, the 2004 figure is likely to be even higher than 2003’s. After 2004, the 2002 and 2003 increases in accelerated depreciation are supposed to expire. Whether that will actually happen remains in doubt, however. Some members of Congress strongly support extending these tax breaks. Likewise, President Bush has talked during the campaign about tax changes that could effectively extend or even expand them.

<sup>3</sup>These figures are unadjusted for inflation, so the real investment drop was even larger. Like the figures for accelerated depreciation tax savings, the companies’ investment figures are reported on a worldwide basis.

<sup>4</sup>Employees exercising stock options must report the difference between the value of the stock and what they pay for it as wages on their personal income tax returns.

stock often has only a very attenuated relation to earnings. The corporate tax benefits from stock option write-offs are quite large.

Of our 275 corporations, 269 received stock-option tax benefits over the 2001-03 period, which lowered their taxes by a total of \$32 billion over three years. The benefits ranged from as high as \$5 billion for Microsoft over the three years to tiny amounts for a few companies.<sup>5</sup> Overall, tax benefits from stock options cut the average effective corporate tax rate for the 275 companies in our study by 3.0 percentage points over the 2001-03 period. The benefits declined after 2001, however, falling from \$13 billion in 2001 to about \$9½ billion a year in 2002 and 2003. The tax-rate effects of stock options are likely to continue to decline as accounting standards are changed to reduce the disparity between the book and tax treatment of options.

In our survey, 25 companies enjoyed two-thirds of the total tax benefits from stock options received by all of our 275 companies, getting \$20.7 billion of the \$32 billion total.

<b>Top 25 Tax Savings from Stock Options, 2001–03</b>				
<b>Company (\$-millions)</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>3 yrs</b>
Microsoft	\$ 1,376	\$ 1,596	\$ 2,066	<b>\$ 5,038</b>
Time Warner	134	219	1,156	<b>1,509</b>
Lehman Brothers	449	287	454	<b>1,190</b>
Merrill Lynch	356	162	653	<b>1,171</b>
Citigroup	245	315	557	<b>1,117</b>
Dell	181	260	487	<b>928</b>
Morgan Stanley	275	233	380	<b>889</b>
General Electric	311	170	323	<b>804</b>
Intel	179	223	360	<b>762</b>
Pfizer	197	197	327	<b>720</b>
IBM	167	112	415	<b>695</b>
Johnson & Johnson	221	258	173	<b>652</b>
Bank of America	366	208	66	<b>640</b>
PepsiCo	281	112	171	<b>565</b>
Amgen	94	208	202	<b>504</b>
Altria (Philip Morris)	73	179	197	<b>449</b>
UnitedHealth	184	110	110	<b>404</b>
Bear Stearns	174	106	119	<b>399</b>
ExxonMobil	144	127	113	<b>384</b>
Viacom	64	174	117	<b>355</b>
JPMorgan Chase	28	64	257	<b>349</b>
Merck	139	68	127	<b>334</b>
Procter & Gamble	119	109	70	<b>298</b>
Goldman Sachs	85	98	102	<b>285</b>
UPS (United Parcel Service)	104	93	84	<b>281</b>
<b>These 25 companies</b>	<b>\$ 5,946</b>	<b>\$ 5,691</b>	<b>\$ 9,086</b>	<b>\$ 20,722</b>
Other 250 companies	3,557	3,719	3,982	11,259
<b>All 275 companies</b>	<b>\$ 9,503</b>	<b>\$ 9,410</b>	<b>\$ 13,067</b>	<b>\$ 31,980</b>

Note: figures include only federal tax savings (not state).

**Tax credits.** The federal tax code also provides tax credits for companies that engage in certain activities, for example, research (on top of allowing immediate expensing of research investments), certain kinds of oil drilling, exporting, hiring low-wage workers, affordable housing and supposedly enhanced coal (alternative fuel). As credits, these directly reduce a company's taxes. Some credits have unexpected beneficiaries. For instance, Bank of America cut its taxes by \$580 million over the 2001-03 period by purchasing affordable-housing tax credits. Clorox saved \$36 million, Kimberly-Clark, \$115 million, and Illinois Tool Works, an unspecified amount, from those same credits. Bank of New York obtained \$100 million in alternative fuel credits over that period. Marriot International operates four coal-based synthetic fuel facilities solely for the tax benefits, which cut Marriot's taxes by \$233 million in 2003 and \$159 million in 2002. Other examples of companies that used tax credits to lower their tax bills—often substantially—can be found in the company-by-company notes.

<sup>5</sup>Microsoft has since abandoned stock options in favor of other incentive plans. The figures in the study reflect the tax effects of Microsoft stock options issued in earlier years and exercised during the years covered by the study.

**Offshore tax sheltering.** Over the past decade, corporations and their accounting firms have become increasingly aggressive in seeking ways to shift their profits, on paper, into offshore tax havens, in order to avoid their tax obligations. Some companies have gone so far as to renounce their U.S. “citizenship” and reincorporate in Bermuda or other tax-haven countries to facilitate tax-sheltering activity. Not surprisingly, corporations do not explicitly disclose their abusive tax sheltering in their annual reports. For example, Wachovia’s extensive schemes to shelter its U.S. profits from tax are cryptically described in the notes to its annual reports merely as “leasing.” It took extensive digging by PBS’s *Frontline* researchers to discover that Wachovia’s tax shelter involved pretending to own and lease back municipal assets in Germany, such as sewers and rail tracks, a practice heavily promoted by some accounting firms. Other tax shelter devices, such as abuses of “transfer pricing,” also go unspecified in corporate annual reports. Nevertheless, corporate offshore tax sheltering is estimated to cost the U.S. Treasury anywhere from \$30 to \$70 billion a year, and presumably the effects of these shelters are reflected in the bottom-line results of our study.

So far, our political leaders have rebuffed efforts to crack down on abusive offshore corporate tax sheltering. For example, in the 1990s, Congress scoffed at reform proposals put forward by the Clinton administration. More recently, Congress and the President have dragged their feet on cracking down on even the worst abuses, such as tax-avoidance-induced reincorporations in Bermuda.

**What about the AMT?** The corporate Alternative Minimum Tax (AMT) was established in 1986 to assure that profitable corporations pay some substantial amount in income taxes no matter how many tax breaks they enjoy under the regular corporate tax. But because of laws enacted in 1993 and 1997 that sharply weakened the corporate AMT, only a few companies now pay the tax. In fact, almost as many are getting rebates for past AMT payments. In late 2001, U.S. House of Representatives leaders attempted to repeal the corporate AMT entirely and give companies instant refunds for any AMT they had paid since 1986. Public outcry stopped that plan, at least for now, but the AMT remains a shell of its former self that will require substantial reform if it is to once again achieve its goal of curbing corporate tax avoidance.

## The Failure of Corporate Tax Incentives

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**A**fter 2001, the average effective tax rate on the 275 companies in our report fell by a fifth. Much of that sharp decline reflects legislation enacted in 2002 and 2003. Those bills vastly expanded write-offs for accelerated depreciation and made it easier for companies with excess tax breaks to cash them in at the Treasury. Backers of these huge new corporate tax breaks argued that they were necessary to encourage corporate investments and help the economy. Our study provides substantial evidence that these so-called “incentives” failed badly to achieve their ostensible goals.

From 2001 to 2003, the Commerce Department reports that total U.S. private non-residential fixed investment fell by 7 percent in nominal dollars. The 275 companies in our study report that their worldwide investment in property, plant and equipment over that same period fell by 15 percent.<sup>6</sup>

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<sup>6</sup>Besides being limited to U.S. investment, the Commerce Department’s category of non-residential fixed investment is not necessarily identical to what companies call investments in property, plant and equipment in their annual reports.

Perhaps more interestingly, we looked at the 25 companies in our study who reported *the largest tax savings from accelerated depreciation*—garnering two-thirds of the total depreciation benefits for all 275 companies over the three years. Eleven of these companies increased investment, while 13 reduced it (one did not report its investments).

- In the aggregate, the 25 companies getting the most from accelerated depreciation cut their total property, plant and equipment investments by 27 percent from 2001 to 2003.
- In contrast, the remaining 250 companies reduced their investments by only 8 percent.

We also looked at the investment performance of the 25 companies in our survey who received *the largest total tax breaks from all sources* over the three years (getting half the total tax breaks for all 275 companies). Seven of these companies increased investment, while 15 reduced it (three companies did not report capital outlays).

- Overall, the 25 companies getting the largest total tax subsidies over the three years cut their capital investments from 2001 to 2003 by 22 percent.
- In contrast, the remaining 250 companies in our survey reduced their investments by 13 percent.

Finally, we looked at our 275 companies *grouped by industry*. The five industries whose companies got the largest average benefits, on a per-company basis, from accelerated depreciation over the 2001-03 period received 61 percent of the total depreciation benefits.

- From 2001 to 2003, these five industries—telecommunications, petroleum and pipelines, transportation, gas and electric utilities, and electronics and electric equipment—reduced their capital investments by 22 percent.
- In contrast, the remaining 15 industries reduced their investments by only 9 percent.

We do not mean to imply here that corporate tax breaks actively discourage capital investments. But the evidence shows, as it has so often in the past, that business investment decisions are primarily driven by supply and demand, not by government attempts to micro-manage the economy. The \$175 billion in revenues lost to the 2002 and 2003-enacted tax breaks appears to have been exceedingly poorly spent.

### 25 Companies with the Largest Depreciation Tax Breaks vs. Investment Changes, 2001 to 2003

Company (\$-millions)	2001-03 Dep. tax breaks	Investment Change
SBC Communications	\$ 5,755	-53%
Verizon	4,473	-35%
Devon Energy	4,358	-51%
ExxonMobil	2,926	+29%
Wachovia	2,766	+120%
General Electric	2,612	-40%
ConocoPhillips	2,368	-3%
AT&T	1,539	-45%
Citigroup	1,490	+38%
Valero Energy	1,415	+148%
Burlington Resources	1,359	-48%
JPMorgan Chase	1,355	NR
Pepco Holdings	1,350	+144%
U.S. Bancorp	1,341	+124%
Apache	1,235	+4%
FPL Group	1,232	+9%
Burlington Northern Santa Fe	1,214	+18%
Weyerhaeuser	1,196	-8%
BellSouth	1,145	-47%
Exelon	946	-6%
Boeing	916	-65%
Public Service Enterprise Group	893	-33%
CenterPoint Energy	881	-46%
Union Pacific	876	+11%
Fifth Third	836	+104%
<b>Total these 25 companies</b>	<b>\$ 46,477</b>	<b>-27%</b>
Other 250 companies	24,442	-8%
<b>All companies</b>	<b>\$ 70,919</b>	<b>-15%</b>

### 25 Companies with the Largest Total Tax Breaks vs. Changes in Capital Investment, 2001 to 2003

Company (\$-millions)	2001-03 Tax breaks	Investment Change
General Electric	\$ 9,481	-40%
SBC Communications	9,032	-53%
Citigroup	4,626	+38%
IBM	4,617	-19%
Microsoft	4,599	-19%
AT&T	4,572	-45%
ExxonMobil	4,268	+29%
Verizon	4,234	-35%
JPMorgan Chase	3,929	NR
Pfizer	3,889	+25%
Altria (Philip Morris)	3,341	+3%
Wachovia	3,259	+120%
Boeing	3,058	-65%
Bank of America	2,959	-75%
Time Warner	2,637	-9%
Wells Fargo	2,459	NR
ConocoPhillips	1,985	-3%
Intel	1,972	-50%
Merrill Lynch	1,966	-85%
Prudential Financial	1,838	NR
Viacom	1,812	+4%
United Technologies	1,750	-33%
BellSouth	1,632	-47%
Allstate	1,631	-9%
American Express	1,541	+19%
<b>Total these 25 companies</b>	<b>\$ 87,089</b>	<b>-22%</b>
Other 250 companies	88,075	-13%
<b>All companies</b>	<b>\$ 175,164</b>	<b>-15%</b>

### Accelerated Depreciation Tax Breaks & Changes in Capital Investment, 2001 to 2003, by Industry

Industry (\$-millions)	Tax savings from accelerated depreciation					2001-03 Invest- ment change
	2001	2002	2003	3 years	3-year average per co.	
Telecommunications	\$ 1,400	\$ 3,955	\$ 7,932	\$ 13,286	\$ 2,657	-42%
Petroleum & pipelines	3,298	3,461	6,472	13,232	1,654	-5%
Transportation	786	1,491	1,435	3,711	530	+13%
Utilities, gas and electric	1,827	4,064	4,393	10,284	467	-5%
Electronics, electrical equipment	785	1,525	750	3,061	383	-37%
Financial	4,787	4,187	3,788	12,762	319	-19%
Aerospace & defense	176	46	1,149	1,371	229	-56%
Food & beverages & tobacco	593	541	1,056	2,190	129	+9%
Miscellaneous manufacturing	122	1,483	341	1,946	122	-12%
Metals & metal products	37	336	113	487	97	-3%
Retail & wholesale trade	493	1,191	2,942	4,627	96	+3%
Industrial and farm equipment	171	193	313	677	85	-31%
Pharmaceuticals & medical products	229	-57	656	827	75	+23%
Household & personal products	223	62	98	383	64	-32%
Miscellaneous services	332	-22	1,298	1,608	62	-15%
Health care	204	151	188	544	42	+21%
Motor vehicles and parts	65	104	117	286	41	+10%
Chemicals	30	46	122	198	33	+26%
Publishing, printing	-35	6	70	41	10	-11%
Computers, office equip, software, data	-553	-115	66	-602	-50	-30%
<b>Top 5 Depreciation Benefits by 3-year ave</b>	<b>\$ 8,095</b>	<b>\$ 14,496</b>	<b>\$ 20,982</b>	<b>\$ 43,574</b>	<b>\$ 871</b>	<b>-22%</b>
Other 15 Industries	6,874	8,153	12,319	27,345	122	-9%
<b>All Industries</b>	<b>\$ 14,969</b>	<b>\$ 22,649</b>	<b>\$ 33,301</b>	<b>\$ 70,919</b>	<b>\$ 258</b>	<b>-15%</b>

Note: negative figures reflect lower tax than book depreciation, i.e., a tax cost.

## Who Loses from Corporate Tax Avoidance?

Low- and no-tax companies may be happy about their ability to avoid huge amounts in taxes every year, but our current low and widely varying way of taxing corporations is not a good approach for the rest of us. The losers from this system include:

**The general public.** From fiscal year 2000 to fiscal 2003, federal corporate income tax collections dropped from \$207 billion to \$138 billion. As a share of the economy, corporate tax payments plummeted from 2.1 percent to only 1.3 percent. So one obvious group of losers from growing corporate tax avoidance is the general public, which has to pay more for—or get less in—public services, or face mounting debt burdens that must be paid for in the future.

**Disadvantaged companies.** Almost as obvious is how the wide variation in tax rates among industries and among companies within particular industries gives relatively high-tax companies and industries a legitimate beef that federal tax policy is helping their competitors at their expense. As the industry tables starting on page 19 detail, examples of these kinds of discrepancies abound:

- Whirlpool and Maytag both make household appliances. But over the 2001-03 period, Whirlpool paid 31.2 percent of its profits in U.S. corporate income taxes, while Maytag paid only 8.9 percent.
- Merck and Pfizer are both pharmaceutical companies. But over the 2001-03 period, Merck paid an effective U.S. tax rate of 32.5 percent, while Pfizer paid only 8.2 percent.
- Among industries, both publishers and oil companies provide much sought-after products. But publishers paid 23 percent of their profits in taxes over the 2001-03 period, while oil companies paid only 13.3 percent.

**The U.S. economy.** The fact that the government is offering much larger tax subsidies to some companies and industries than others is also poor economic policy. Such a system artificially boosts the rate of return for tax-favored industries and companies and reduces the rate of return for those industries and companies that are less favored. To be sure, companies that push for tax breaks argue that the “incentives” will encourage useful activities. But the idea that the government should tell businesses what kinds of investments to make conflicts with our basic economic philosophy that consumer demand and free markets should be the test of which private investments make sense. In fact, the good news is that tax breaks often don’t have much effect on business behavior. After all, companies don’t lobby to have the government tell them what to do. They lobby to get rewarded for doing what they would have done anyway. But there’s no doubt that making some kinds of investments more profitable than others through tax breaks will sometimes shift capital away from what’s most beneficial and into lower-yield activities. As a result, the flow of capital is diverted in favor of those industries that have been most aggressive in the political marketplace of Washington, D.C., at the expense of long-term economic growth.

**State governments and state taxpayers.** The loopholes that reduce federal corporate income taxes cut state corporate income taxes, too, since state corporate tax systems generally take federal taxable income as their starting point in computing taxable corporate profits.<sup>7</sup> Thus, when the federal government allows corporations to write off their machinery faster than it wears out or shift U.S. profits overseas or shelter earnings from oil drilling, most states automatically do so, too. State corporate income taxes paid by the 252 companies that fully disclosed them fell to only 2.3 percent of pretax profits in 2003, down by a fifth from the 2.8 percent average in 2001. The 2.3 percent state effective rate in 2003 is only a third of the official 6.8 percent corporate tax rate that states, on average, ostensibly require companies to pay. It’s a mathematical truism that low and declining state revenues from corporate income taxes means higher state taxes on other state taxpayers or diminished state and local public services.

**The integrity of the tax system and public trust therein.** Ordinary taxpayers have a right to be suspicious and even outraged about a tax code that seems so tilted toward politically well-connected companies. In a tax system that by necessity must rely heavily on the voluntary compliance of tens of millions of honest taxpayers, maintaining public trust is essential—and is endangered by the specter of widespread corporate tax avoidance. The fact that America’s companies were allowed to report less than half of their actual U.S. profits to the IRS, while ordinary wage-earners have to report every penny of their earnings, has to undermine public respect for the tax system.

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<sup>7</sup>Over the past decade, companies have been extremely aggressive at avoiding state taxes by shifting profits not only offshore, but also from states that would tax them into states that don’t. In addition, most states also provide their own set of business tax breaks or abatements beyond the federal ones, although these often involve taxes other than corporate income taxes. Cutting the other way very recently, however, a number of states have not adopted the 2002 and 2003 federal depreciation changes, and many states have stricter limits than does the federal government on companies’ ability to “carry back” excess tax breaks to earlier years to generate tax rebates.

## Tax Reform (& Deform) Options

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Almost two decades after the major corporate tax reforms under Ronald Reagan in 1986, we now find the re-emergence of many of the problems that those reforms were designed to address, along with an array of new corporate tax-avoidance techniques. This report is not intended to provide a list of all the possible corporate tax reform measures that could be enacted to address these issues, but rather to illustrate the current consequences of inaction. But if our nation's leaders want to reform the corporate income tax to curb tax subsidies and make the taxation of different industries and companies more equal, they certainly could do so.

Our lawmakers could start by focusing on the long list of corporate tax breaks, or as they are officially called, "corporate tax expenditures" produced each year by the Joint Committee on Taxation and the U.S. Treasury. They could reinstate a stronger corporate Alternative Minimum Tax that really does the job it was originally designed to do. They could rethink the way the corporate income tax currently treats stock options. They could adopt restrictions on abusive corporate tax sheltering; the Clinton Treasury Department offered a number of useful suggestions in this regard, as have many other experts. They could reform the way multinational corporations allocate their profits between the United States and foreign countries, so that U.S. taxable profits are not artificially shifted offshore.

In short, the corporate income tax code is overdue for a deep examination of how we tax, or fail to tax, our major corporations. Although we hope that this report will encourage our representatives in Washington to undertake that effort, we are not confident about the future.

Corporate tax legislation now under consideration in Congress to comply with a trade ruling that an export tax subsidy violates our trade agreements would also close some heavily criticized corporate loopholes that almost everyone agrees are unwarranted. But at the same time, the bills would expand or create other corporate tax breaks. They even include measures that would make it easier (and more lucrative) for companies to shift taxable profits, and potentially jobs, overseas. Overall, the pending corporate bill, if enacted, would almost certainly reduce corporate taxes substantially over time. In fact, one of the biggest winners under the bill, according to the *Washington Post*, would be General Electric, the company that already enjoys more tax subsidies under existing law than any other corporation in our study.<sup>8</sup>

On the accelerated depreciation front, some in Congress have proposed making permanent the huge expansion in depreciation write-offs enacted in 2002 and 2003 (which otherwise are scheduled to expire after 2004). Others want to increase accelerated depreciation tax breaks well beyond even those available today. President Bush and some Congressional leaders have even suggested or hinted that the corporate income tax should be abolished altogether, and replaced with higher taxes on wages or consumer spending.

We urge the public to pay attention to this important debate.

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<sup>8</sup>See Jeffrey H. Birnbaum and Jonathan Weisman, "GE Lobbyists Mold Tax Bill, Firm Saw Subsidy Repeal As Chance to Pay Less," *The Washington Post*, July 13, 2004, p. A1. The story notes: "In pursuing its financial interest, [GE] may also have turned the U.S. corporate tax code away from domestic manufacturing and toward expansion of operations abroad. . . . GE was far from alone in trying to fashion [the bill] . . . . Lobbyists for the nation's biggest companies have dusted off their favorite tax benefits and tried to sell them as part of the legislation. As a result, the measure . . . has swollen to include more than \$140 billion in tax breaks over the next 10 years."

<b>46 Corporations Paying No Income Tax in 2003</b>			
<b>Company (\$-millions)</b>	<b>2003 Profit</b>	<b>2003 Tax</b>	<b>2003 Rate</b>
Boeing	\$ 1,069	\$ -1,700	-159.0%
Entergy	562	-758	-135.0%
Pepco Holdings	138	-127	-92.0%
Nucor	79	-59	-74.9%
Graybar Electric	14	-8	-57.3%
CenterPoint Energy	660	-288	-43.7%
CSX	179	-70	-38.8%
NCR	103	-39	-38.0%
Dillard's	20	-5	-27.0%
Unisys	151	-39	-25.6%
ITT Industries	283	-66	-23.4%
Baxter	818	-142	-17.4%
OGE Energy	215	-36	-16.6%
Public Service Enterprise Group	1,369	-208	-15.2%
FPL Group	1,282	-181	-14.1%
Consolidated Edison	852	-120	-14.0%
Reebok	32	-4	-13.7%
KeySpan	718	-90	-12.5%
AT&T	2,723	-343	-12.6%
Kelly Services	18	-2	-12.6%
Toys "R" Us	147	-16	-10.9%
Reliant Resources	138	-14	-10.4%
Marriott International	384	-38	-9.9%
Ikon Office Solutions	146	-11	-7.7%
Pitney Bowes	623	-44	-7.0%
Valero Energy	634	-41	-6.5%
Ingram Micro	9	-1	-6.0%
Manpower	52	-3	-5.7%
Newell Rubbermaid	249	-14	-5.5%
SBC Communications	8,941	-476	-5.3%
Danaher	553	-23	-4.1%
Disney, Walt	1,764	-59	-3.4%
Time Warner	4,224	-140	-3.3%
Caremark RX	475	-13	-2.8%
Pfizer	6,088	-168	-2.8%
Ryder	149	-4	-2.7%
Saks	108	-3	-2.6%
Lehman Brothers	1,825	-39	-2.1%
Timken	52	-1	-1.8%
Computer Sciences	558	-8	-1.5%
Burlington Northern Santa Fe	1,226	-18	-1.5%
Caterpillar	485	-6	-1.3%
Principal Group	924	-11	-1.2%
Lexmark	307	-2	-0.8%
Shaw Group	15	-0	-0.3%
Sysco	1,264	—	—
<b>TOTAL</b>	<b>\$ 42,622</b>	<b>\$ -5,438</b>	<b>-12.8%</b>

<b>42 Corporations Paying No Income Tax in 2002</b>			
<b>Company (\$-millions)</b>	<b>2002 Profit</b>	<b>2002 Tax</b>	<b>2002 Rate</b>
Prudential Financial	\$ 101	\$ -125	-124.0%
Pepco Holdings	352	-305	-86.7%
Wesco International	19	-14	-73.5%
JPMorgan Chase	2,515	-1,398	-55.6%
Valero Energy	45	-16	-36.3%
AT&T	2,905	-1,046	-36.0%
Pitney Bowes	485	-156	-32.2%
Reliant Resources	202	-60	-29.5%
ITT Industries	294	-81	-27.7%
Caterpillar	345	-75	-21.6%
CenterPoint Energy	558	-113	-20.2%
Advance Auto Parts	92	-18	-19.2%
Principal Group	624	-102	-16.3%
Caremark RX	320	-52	-16.3%
Southwest Airlines	398	-51	-12.8%
Verizon	5,642	-685	-12.1%
Devon Energy	344	-39	-11.3%
Smith International	39	-4	-11.5%
Boston Scientific	376	-37	-9.9%
Unisys	103	-9	-9.1%
Triad Hospitals	236	-18	-7.6%
Fisher Scientific International	85	-7	-8.1%
FPL Group	961	-70	-7.3%
Rockwell Automation	113	-8	-7.0%
Manpower	26	-2	-6.6%
Danaher	484	-23	-4.8%
Cendant	1,220	-58	-4.7%
Ryder	121	-5	-4.4%
Wachovia	4,055	-164	-4.0%
Computer Sciences	408	-16	-3.8%
Humana	188	-7	-3.7%
KeySpan	648	-19	-3.0%
Dominion Resources	1,999	-63	-3.2%
SPX	478	-13	-2.7%
Anadarko Petroleum	698	-15	-2.1%
3M	1,656	-21	-1.2%
Allstate	1,540	-14	-0.9%
NCR	291	-2	-0.7%
Shaw Group	137	-1	-0.4%
General Electric	11,998	-33	-0.3%
Saks	155	-0	-0.3%
Allied Waste Industries	274	-0	-0.1%
<b>TOTAL</b>	<b>\$ 43,530</b>	<b>\$ -4,945</b>	<b>-11.4%</b>

<b>33 Corporations Paying No Income Tax in 2001</b>			
<b>Company (\$-millions)</b>	<b>2001 Profit</b>	<b>2001 Tax</b>	<b>2001 Rate</b>
Prudential Financial	\$ 336	\$ -1,021	-303.7%
Reebok	3	-5	-183.4%
Fisher Scientific International	6	-7	-116.5%
Fluor	46	-29	-63.3%
Time Warner	658	-347	-52.7%
Timken	39	-19	-48.1%
Ingram Micro	44	-21	-47.3%
Principal Group	477	-146	-30.7%
Saks	8	-3	-32.8%
CSX	377	-68	-17.9%
ITT Industries	244	-35	-14.5%
Brunswick	106	-15	-13.7%
Baxter	460	-55	-12.0%
American Express	1,367	-140	-10.2%
Triad Hospitals	97	-10	-9.9%
Unisys	80	-5	-6.7%
Eaton	329	-17	-5.2%
John Hancock	756	-39	-5.1%
Shaw Group	124	-6	-4.5%
Ball	121	-5	-4.4%
United Technologies	1,760	-57	-3.3%
Engelhard	192	-5	-2.8%
Metlife	2,926	-67	-2.3%
Computer Sciences	324	-7	-2.1%
Bank of New York	1,773	-29	-1.6%
Sara Lee	1,256	-20	-1.6%
Kinder Morgan	360	-4	-1.2%
Ryder	49	-1	-1.1%
Health Net	136	-1	-0.7%
Pepco Holdings	236	-1	-0.3%
Cendant	602	-1	-0.1%
NCR	315	-0	-0.0%
Autoliv	59	-0	-0.0%
<b>TOTAL</b>	<b>\$ 15,664</b>	<b>\$ -2,184</b>	<b>-13.9%</b>

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 by Industry

\$-millions	Three-Year Totals			2003			2002			2001		
Industry & Company	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
<b>Aerospace &amp; defense</b>												
Boeing	5,687.6	-1,067.1	-18.8%	1,069.1	-1,699.8	-159.0%	2,208.7	229.2	10.4%	2,409.8	403.5	16.7%
United Technologies	5,155.5	54.7	1.1%	1,502.6	33.2	2.2%	1,892.8	78.8	4.2%	1,760.1	-57.3	-3.3%
L-3 Communications	896.1	49.9	5.6%	393.8	29.3	7.4%	296.5	15.8	5.3%	205.8	4.9	2.4%
Goodrich	595.9	67.1	11.3%	91.2	26.8	29.4%	252.9	5.1	2.0%	251.8	35.2	14.0%
Textron	1,549.1	231.4	14.9%	231.2	34.0	14.7%	450.4	51.4	11.4%	867.5	146.0	16.8%
General Dynamics	3,799.8	949.0	25.0%	1,160.0	240.1	20.7%	1,380.5	348.3	25.2%	1,259.3	360.6	28.6%
<b>Aerospace &amp; defense</b>	<b>17,684.0</b>	<b>285.0</b>	<b>1.6%</b>	<b>4,447.9</b>	<b>-1,336.6</b>	<b>-30.0%</b>	<b>6,481.7</b>	<b>728.6</b>	<b>11.2%</b>	<b>6,754.4</b>	<b>893.0</b>	<b>13.2%</b>
<b>Chemicals</b>												
Engelhard	581.1	25.0	4.3%	175.3	12.3	7.0%	213.8	18.2	8.5%	192.0	-5.4	-2.8%
Praxair	644.0	46.6	7.2%	212.8	19.2	9.0%	222.3	6.0	2.7%	208.8	21.5	10.3%
Ecolab	748.2	147.6	19.7%	269.8	48.8	18.1%	245.1	24.7	10.1%	233.3	74.1	31.8%
Sherwin-Williams	1,397.6	305.2	21.8%	508.1	98.0	19.3%	481.3	113.5	23.6%	408.1	93.6	22.9%
Avery Dennison	514.4	118.3	23.0%	144.2	45.8	31.8%	193.2	33.0	17.1%	177.0	39.5	22.3%
PPG Industries	1,539.3	486.6	31.6%	469.6	177.8	37.9%	525.7	181.3	34.5%	544.0	127.4	23.4%
<b>Chemicals</b>	<b>5,424.5</b>	<b>1,129.3</b>	<b>20.8%</b>	<b>1,779.9</b>	<b>401.9</b>	<b>22.6%</b>	<b>1,881.5</b>	<b>376.6</b>	<b>20.0%</b>	<b>1,763.1</b>	<b>350.7</b>	<b>19.9%</b>
<b>Computers, office equip, software, data</b>												
Unisys	333.7	-53.4	-16.0%	150.6	-38.6	-25.6%	102.7	-9.4	-9.1%	80.4	-5.4	-6.7%
NCR	708.0	-41.0	-5.8%	102.6	-39.0	-38.0%	290.9	-2.0	-0.7%	314.6	-0.0	-0.0%
Pitney Bowes	1,823.1	-56.1	-3.1%	623.2	-43.9	-7.0%	485.1	-156.1	-32.2%	714.8	143.9	20.1%
Computer Sciences	1,290.5	-30.6	-2.4%	558.3	-8.3	-1.5%	408.1	-15.7	-3.8%	324.2	-6.7	-2.1%
IBM	13,935.3	260.3	1.9%	4,599.9	66.9	1.5%	3,677.5	174.5	4.7%	5,657.8	18.8	0.3%
Lexmark	742.4	38.5	5.2%	306.9	-2.5	-0.8%	256.3	37.8	14.8%	179.2	3.2	1.8%
Affiliated Computer Services	1,036.6	147.0	14.2%	475.4	58.1	12.2%	347.5	56.0	16.1%	213.7	32.9	15.4%
Intel	9,895.2	1,491.3	15.1%	6,178.5	629.4	10.2%	2,224.9	318.7	14.3%	1,491.8	543.3	36.4%
Microsoft	29,455.0	5,710.0	19.4%	11,346.0	2,485.0	21.9%	8,920.0	2,048.0	23.0%	9,189.0	1,177.0	12.8%
Dell	5,420.0	1,317.0	24.3%	2,113.3	788.0	37.3%	2,019.0	442.0	21.9%	1,287.7	87.0	6.8%
Automatic Data Processing	4,322.8	1,306.2	30.2%	1,416.4	481.7	34.0%	1,563.7	485.9	31.1%	1,342.7	338.6	25.2%
Oracle	5,941.7	1,859.7	31.3%	2,056.0	610.0	29.7%	1,844.0	455.0	24.7%	2,041.6	794.6	38.9%
<b>Computers, office equip, software, data</b>	<b>74,904.3</b>	<b>11,948.9</b>	<b>16.0%</b>	<b>29,927.1</b>	<b>4,986.9</b>	<b>16.7%</b>	<b>22,139.6</b>	<b>3,834.8</b>	<b>17.3%</b>	<b>22,837.6</b>	<b>3,127.2</b>	<b>13.7%</b>
<b>Electronics, electrical equipment</b>												
Rockwell Automation	438.6	6.1	1.4%	212.8	12.6	5.9%	113.3	-8.0	-7.0%	112.5	1.4	1.3%
SPX	1,271.2	46.1	3.6%	389.5	54.7	14.0%	478.4	-12.9	-2.7%	403.3	4.3	1.1%
Maytag	668.2	59.3	8.9%	185.7	2.5	1.3%	291.6	19.7	6.8%	190.9	37.1	19.4%
General Electric	36,809.1	3,402.3	9.2%	10,826.0	1,244.3	11.5%	11,998.5	-33.3	-0.3%	13,984.6	2,191.4	15.7%
Raytheon	2,526.7	239.9	9.5%	750.8	130.0	17.3%	1,418.2	27.0	1.9%	357.7	82.9	23.2%

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 by Industry

\$-millions	Three-Year Totals			2003			2002			2001		
Industry & Company	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Eaton	927.7	180.9	19.5%	310.0	86.0	27.7%	288.3	111.9	38.8%	329.4	-17.0	-5.2%
Emerson	3,205.2	792.9	24.7%	835.8	168.4	20.2%	1,113.5	201.7	18.1%	1,255.8	422.8	33.7%
Whirlpool	1,175.8	367.3	31.2%	447.6	74.4	16.6%	360.8	93.9	26.0%	367.3	199.0	54.2%
<b>Electronics, electrical equip.</b>	<b>47,022.6</b>	<b>5,094.8</b>	<b>10.8%</b>	<b>13,958.3</b>	<b>1,773.0</b>	<b>12.7%</b>	<b>16,062.6</b>	<b>400.0</b>	<b>2.5%</b>	<b>17,001.6</b>	<b>2,921.8</b>	<b>17.2%</b>
<b>Financial</b>												
Prudential Financial	2,263.6	-1,045.7	-46.2%	1,826.6	100.4	5.5%	100.9	-125.1	-124.0%	336.1	-1,021.0	-303.7%
Principal Group	2,024.7	-259.2	-12.8%	924.0	-11.2	-1.2%	623.8	-101.6	-16.3%	477.0	-146.4	-30.7%
KeySpan	1,861.8	-30.6	-1.6%	718.4	-89.8	-12.5%	647.6	-19.1	-3.0%	495.9	78.3	15.8%
JPMorgan Chase	10,885.3	-119.6	-1.1%	6,420.5	937.4	14.6%	2,514.6	-1,397.9	-55.6%	1,950.3	340.9	17.5%
Lehman Brothers	4,420.7	81.9	1.9%	1,824.9	-39.1	-2.1%	845.0	84.0	9.9%	1,750.7	37.0	2.1%
Bank of New York	4,795.6	172.9	3.6%	1,616.8	56.8	3.5%	1,405.5	145.1	10.3%	1,773.3	-29.0	-1.6%
State Street	3,163.7	189.7	6.0%	885.2	42.2	4.8%	1,373.4	120.0	8.7%	905.0	27.5	3.0%
John Hancock	2,431.0	154.1	6.3%	1,157.6	150.4	13.0%	517.8	42.3	8.2%	755.6	-38.6	-5.1%
BB&T	4,646.5	353.1	7.6%	1,423.4	4.6	0.3%	1,748.5	179.2	10.3%	1,474.5	169.2	11.5%
Allstate	6,396.0	607.1	9.5%	3,571.0	530.2	14.8%	1,540.0	-13.8	-0.9%	1,285.0	90.7	7.1%
Wachovia	12,846.0	1,237.0	9.6%	5,343.1	918.0	17.2%	4,054.5	-164.0	-4.0%	3,448.4	483.0	14.0%
AFLAC	778.3	76.0	9.8%	99.3	27.0	27.2%	355.3	25.0	7.0%	323.7	24.0	7.4%
Merrill Lynch	8,893.2	1,147.0	12.9%	3,592.1	510.4	14.2%	1,982.4	339.9	17.1%	3,318.7	296.7	8.9%
PNC	4,012.5	519.5	12.9%	1,521.0	279.0	18.3%	1,923.0	78.6	4.1%	568.5	161.9	28.5%
American Express	7,281.9	1,007.7	13.8%	3,222.1	557.5	17.3%	2,692.9	589.9	21.9%	1,366.9	-139.7	-10.2%
First Data	4,460.2	673.2	15.1%	1,717.1	257.0	15.0%	1,549.2	226.0	14.6%	1,193.9	190.2	15.9%
Metlife	6,797.5	1,099.0	16.2%	1,786.3	363.0	20.3%	2,085.0	803.0	38.5%	2,926.2	-67.0	-2.3%
Fifth Third	6,685.8	1,152.5	17.2%	2,594.2	468.2	18.0%	2,415.5	439.5	18.2%	1,676.1	244.8	14.6%
Nationwide	1,219.5	213.8	17.5%	517.8	133.1	25.7%	133.5	54.5	40.8%	568.2	26.1	4.6%
KeyCorp	3,243.3	585.1	18.0%	1,139.0	229.2	20.1%	1,026.4	143.3	14.0%	1,077.8	212.6	19.7%
American Financial Group	571.5	105.1	18.4%	294.0	43.0	14.6%	179.6	17.5	9.7%	97.9	44.6	45.6%
Old Republic International	1,744.8	370.5	21.2%	680.0	167.6	24.7%	560.9	101.1	18.0%	503.9	101.7	20.2%
Suntrust	5,803.6	1,309.0	22.6%	1,906.2	376.6	19.8%	1,902.9	356.8	18.8%	1,994.5	575.6	28.9%
Countrywide Financial	5,743.2	1,312.3	22.9%	3,683.7	910.2	24.7%	1,299.4	244.4	18.8%	760.0	157.7	20.8%
Regions	2,599.5	599.8	23.1%	914.8	219.6	24.0%	878.1	203.9	23.2%	806.6	176.4	21.9%
Comerica	2,968.8	686.5	23.1%	889.6	198.3	22.3%	960.3	196.6	20.5%	1,118.8	291.7	26.1%
Goldman Sachs	7,218.7	1,718.7	23.8%	3,007.8	594.8	19.8%	1,835.6	444.6	24.2%	2,375.3	679.3	28.6%
Citigroup	42,967.5	10,412.5	24.2%	18,204.0	3,785.0	20.8%	12,096.6	3,842.9	31.8%	12,667.0	2,784.6	22.0%
Wells Fargo	23,885.3	5,900.5	24.7%	9,406.0	1,175.6	12.5%	8,691.4	2,468.6	28.4%	5,788.0	2,256.2	39.0%
Mellon Financial	2,760.7	682.2	24.7%	699.1	128.3	18.4%	1,401.2	308.6	22.0%	660.4	245.3	37.1%
Bear Stearns	3,646.9	938.8	25.7%	1,584.9	420.0	26.5%	1,232.9	237.0	19.2%	829.1	281.8	34.0%

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 by Industry

\$-millions	Three-Year Totals			2003			2002			2001		
Industry & Company	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Morgan Stanley	11,473.8	2,977.0	25.9%	4,237.8	504.6	11.9%	3,174.7	884.8	27.9%	4,061.4	1,587.6	39.1%
Jefferson-Pilot	2,198.0	574.1	26.1%	738.0	120.5	16.3%	685.0	232.8	34.0%	775.0	220.8	28.5%
Fidelity National	2,764.7	745.6	27.0%	1,367.5	382.4	28.0%	832.9	227.1	27.3%	564.4	136.1	24.1%
Bank of America	38,573.8	10,541.9	27.3%	15,297.9	4,275.6	27.9%	12,844.4	3,178.4	24.7%	10,431.5	3,087.8	29.6%
U.S. Bancorp	13,473.3	3,685.9	27.4%	5,437.0	1,494.1	27.5%	4,654.0	1,242.1	26.7%	3,382.3	949.7	28.1%
Progressive	3,428.7	1,037.4	30.3%	1,859.7	499.6	26.9%	981.4	385.6	39.3%	587.6	152.2	25.9%
Golden West Financial	4,494.5	1,462.6	32.5%	1,713.0	546.1	31.9%	1,506.9	469.7	31.2%	1,274.6	446.7	35.0%
MBNA	8,811.9	2,888.4	32.8%	3,357.8	1,031.4	30.7%	2,729.9	893.5	32.7%	2,724.2	963.5	35.4%
Charles Schwab	1,352.8	458.6	33.9%	622.5	188.5	30.3%	348.7	88.7	25.4%	381.6	181.4	47.5%
<b>Financial</b>	<b>285,589.1</b>	<b>56,222.0</b>	<b>19.7%</b>	<b>117,801.8</b>	<b>22,486.4</b>	<b>19.1%</b>	<b>88,331.3</b>	<b>17,473.8</b>	<b>19.8%</b>	<b>79,456.0</b>	<b>16,261.8</b>	<b>20.5%</b>
<b>Food &amp; beverages &amp; tobacco</b>												
Sara Lee	3,058.1	215.7	7.1%	1,068.2	219.7	20.6%	734.1	16.2	2.2%	1,255.8	-20.3	-1.6%
Dean Foods	1,178.8	99.5	8.4%	546.3	33.8	6.2%	411.6	36.1	8.8%	220.9	29.6	13.4%
Pepsi Bottling	1,554.5	189.0	12.2%	562.2	85.0	15.1%	581.8	19.0	3.3%	410.5	85.0	20.7%
PepsiAmericas	710.1	103.4	14.6%	233.9	54.8	23.4%	226.9	16.2	7.1%	249.3	32.4	13.0%
Kellogg's	1,980.0	398.9	20.1%	760.1	136.0	17.9%	743.8	146.9	19.8%	476.1	116.0	24.4%
ConAgra	3,271.7	688.3	21.0%	1,122.5	172.9	15.4%	1,125.2	234.5	20.8%	1,023.9	280.8	27.4%
Coca-Cola Company	6,166.6	1,366.8	22.2%	1,946.9	416.9	21.4%	1,948.0	445.9	22.9%	2,271.7	504.0	22.2%
Archer Daniels Midland	1,018.9	231.7	22.7%	355.6	13.5	3.8%	428.4	169.7	39.6%	234.9	48.6	20.7%
General Mills	3,302.0	769.5	23.3%	1,368.2	313.9	22.9%	1,181.6	366.6	31.0%	752.2	89.0	11.8%
Altria (Philip Morris)	29,191.6	6,876.1	23.6%	7,833.3	1,896.8	24.2%	11,757.4	2,454.1	20.9%	9,600.8	2,525.2	26.3%
Hershey	1,605.8	411.2	25.6%	687.8	197.6	28.7%	582.6	63.1	10.8%	335.3	150.5	44.9%
Campbell Soup	2,214.2	617.9	27.9%	739.2	177.1	24.0%	666.5	198.8	29.8%	808.5	242.0	29.9%
Adolph Coors	442.6	125.4	28.3%	134.3	7.7	5.7%	124.9	47.3	37.8%	183.4	70.5	38.5%
PepsiCo	9,092.1	2,630.2	28.9%	3,223.3	1,044.8	32.4%	3,188.7	835.5	26.2%	2,680.1	749.8	28.0%
Anheuser-Busch	7,243.7	2,210.2	30.5%	2,601.1	764.4	29.4%	2,436.9	661.8	27.2%	2,205.7	783.9	35.5%
Tyson Foods	1,156.9	378.3	32.7%	456.0	155.3	34.1%	518.9	173.0	33.3%	182.1	50.0	27.5%
Hormel	835.8	277.1	33.2%	277.0	95.3	34.4%	284.0	89.4	31.5%	274.8	92.4	33.6%
<b>Food &amp; beverages &amp; tobacco</b>	<b>74,023.6</b>	<b>17,589.3</b>	<b>23.8%</b>	<b>23,915.9</b>	<b>5,785.6</b>	<b>24.2%</b>	<b>26,941.5</b>	<b>5,974.3</b>	<b>22.2%</b>	<b>23,166.2</b>	<b>5,829.4</b>	<b>25.2%</b>
<b>Health care</b>												
Caremark RX	988.8	-61.1	-6.2%	474.5	-13.3	-2.8%	319.7	-52.0	-16.3%	194.7	4.1	2.1%
Triad Hospitals	501.6	-15.4	-3.1%	168.9	12.2	7.2%	236.1	-18.0	-7.6%	96.6	-9.6	-9.9%
Humana	695.0	49.9	7.2%	333.6	56.5	16.9%	187.5	-7.0	-3.7%	173.8	0.3	0.2%
HCA	4,996.4	801.9	16.1%	2,096.7	167.4	8.0%	1,393.8	394.2	28.3%	1,505.9	240.4	16.0%
Quest Diagnostics	1,538.6	306.7	19.9%	691.3	189.5	27.4%	526.7	69.0	13.1%	320.6	48.2	15.0%
Omnicare	633.2	131.5	20.8%	299.6	54.1	18.0%	199.9	55.4	27.7%	133.7	22.1	16.5%

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 by Industry

\$-millions	Three-Year Totals			2003			2002			2001		
Industry & Company	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Health Net	964.3	219.0	22.7%	487.4	152.9	31.4%	340.6	67.0	19.7%	136.3	-1.0	-0.7%
Anthem	2,539.1	607.6	23.9%	1,208.6	345.4	28.6%	796.8	161.2	20.2%	533.8	101.1	18.9%
Oxford Health Plans	1,403.8	358.6	25.5%	561.7	125.6	22.4%	343.0	124.2	36.2%	499.1	108.8	21.8%
UnitedHealth	6,427.3	1,727.4	26.9%	2,832.4	748.4	26.4%	2,062.0	565.0	27.4%	1,532.9	414.0	27.0%
Coventry Health Care	743.9	208.8	28.1%	387.1	109.5	28.3%	221.3	58.3	26.4%	135.5	41.0	30.2%
Pacificare Health Systems	782.9	243.8	31.1%	464.3	150.3	32.4%	218.0	59.2	27.2%	100.6	34.3	34.1%
Wellpoint Health	3,217.4	1,095.1	34.0%	1,461.9	515.2	35.2%	1,097.2	371.0	33.8%	658.3	208.8	31.7%
<b>Health care</b>	<b>25,432.1</b>	<b>5,673.7</b>	<b>22.3%</b>	<b>11,467.9</b>	<b>2,613.6</b>	<b>22.8%</b>	<b>7,942.5</b>	<b>1,847.6</b>	<b>23.3%</b>	<b>6,021.8</b>	<b>1,212.5</b>	<b>20.1%</b>
<b>Household &amp; personal products</b>												
Colgate-Palmolive	1,590.3	195.3	12.3%	587.7	108.6	18.5%	535.9	63.0	11.8%	466.7	23.7	5.1%
Avon	746.4	146.5	19.6%	301.9	39.3	13.0%	276.2	52.2	18.9%	168.2	54.9	32.7%
Estee Lauder	580.4	130.5	22.5%	185.0	28.3	15.3%	114.1	35.9	31.5%	281.3	66.3	23.6%
Gillette	2,127.3	495.4	23.3%	798.2	301.7	37.8%	918.0	96.6	10.5%	411.2	97.1	23.6%
Clorox	1,718.4	418.4	24.3%	706.8	131.8	18.6%	606.1	162.1	26.7%	405.6	124.6	30.7%
Procter & Gamble	12,590.8	3,301.6	26.2%	4,905.8	1,475.6	30.1%	4,177.4	865.7	20.7%	3,507.6	960.3	27.4%
<b>Household &amp; personal products</b>	<b>19,353.5</b>	<b>4,687.7</b>	<b>24.2%</b>	<b>7,485.4</b>	<b>2,085.3</b>	<b>27.9%</b>	<b>6,627.6</b>	<b>1,275.5</b>	<b>19.2%</b>	<b>5,240.5</b>	<b>1,327.0</b>	<b>25.3%</b>
<b>Industrial and farm equipment</b>												
ITT Industries	820.5	-182.6	-22.3%	282.9	-66.1	-23.4%	293.6	-81.2	-27.7%	244.0	-35.3	-14.5%
Timken	265.5	-14.2	-5.4%	51.6	-0.9	-1.8%	175.5	5.2	3.0%	38.5	-18.5	-48.1%
Caterpillar	1,562.6	56.6	3.6%	485.4	-6.4	-1.3%	344.6	-74.6	-21.6%	732.6	137.6	18.8%
Dover	642.4	30.3	4.7%	235.1	2.2	1.0%	212.4	3.0	1.4%	195.0	25.0	12.8%
American Standard Companies	1,605.3	153.9	9.6%	544.8	37.7	6.9%	551.3	43.0	7.8%	509.2	73.2	14.4%
Parker Hannifin	819.9	155.2	18.9%	159.9	28.3	17.7%	199.7	32.7	16.4%	460.3	94.2	20.5%
Smith International	272.7	67.4	24.7%	63.4	15.1	23.8%	38.7	-4.5	-11.5%	170.6	56.7	33.2%
Black & Decker	500.5	139.0	27.8%	183.5	67.7	36.9%	179.5	53.3	29.7%	137.4	18.0	13.1%
<b>Industrial and farm equipment</b>	<b>6,489.5</b>	<b>405.6</b>	<b>6.2%</b>	<b>2,006.6</b>	<b>77.7</b>	<b>3.9%</b>	<b>1,995.3</b>	<b>-23.0</b>	<b>-1.2%</b>	<b>2,487.6</b>	<b>350.9</b>	<b>14.1%</b>
<b>Metals &amp; metal products</b>												
Danaher	1,502.3	20.2	1.3%	553.1	-22.7	-4.1%	483.7	-23.4	-4.8%	465.5	66.3	14.2%
Nucor	502.0	43.9	8.7%	78.7	-58.9	-74.9%	247.4	53.2	21.5%	175.9	49.5	28.2%
Ball	522.2	57.8	11.1%	181.2	29.1	16.1%	220.4	33.9	15.4%	120.5	-5.3	-4.4%
Illinois Tool Works	3,165.2	679.7	21.5%	1,043.1	152.3	14.6%	1,163.2	311.7	26.8%	958.9	215.7	22.5%
Masco	2,122.3	560.2	26.4%	1,129.9	204.9	18.1%	533.3	218.6	41.0%	459.1	136.7	29.8%
<b>Metals &amp; metal products</b>	<b>7,814.0</b>	<b>1,361.6</b>	<b>17.4%</b>	<b>2,986.1</b>	<b>304.6</b>	<b>10.2%</b>	<b>2,648.0</b>	<b>594.1</b>	<b>22.4%</b>	<b>2,179.9</b>	<b>462.9</b>	<b>21.2%</b>
<b>Miscellaneous manufacturing</b>												
Reebok	58.7	-5.4	-9.1%	32.5	-4.5	-13.7%	23.7	3.8	15.9%	2.6	-4.7	-183.4%
Weyerhaeuser	1,508.1	154.0	10.2%	485.1	70.6	14.5%	353.6	15.2	4.3%	669.4	68.2	10.2%

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 by Industry

\$-millions	Three-Year Totals			2003			2002			2001		
Industry & Company	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Newell Rubbermaid	1,119.7	130.3	11.6%	248.7	-13.6	-5.5%	491.5	53.4	10.9%	379.5	90.5	23.9%
Brunswick	413.4	50.7	12.3%	152.5	38.5	25.2%	154.9	26.7	17.3%	106.0	-14.5	-13.7%
3M	4,834.2	658.6	13.6%	1,759.7	350.4	19.9%	1,655.6	-20.7	-1.2%	1,418.8	328.9	23.2%
Kimberly-Clark	5,043.5	920.9	18.3%	1,611.1	324.4	20.1%	1,740.0	247.2	14.2%	1,692.4	349.3	20.6%
NVR	1,560.8	368.2	23.6%	665.9	139.4	20.9%	514.7	103.7	20.1%	380.3	125.1	32.9%
Leggett & Platt	967.5	237.1	24.5%	308.8	65.7	21.3%	355.0	75.1	21.1%	303.7	96.4	31.7%
Harley-Davidson	2,661.5	714.1	26.8%	1,135.0	313.5	27.6%	868.1	230.0	26.5%	658.4	170.6	25.9%
Jones Apparel	1,414.7	385.9	27.3%	506.0	128.7	25.4%	501.9	159.8	31.8%	406.9	97.3	23.9%
Mohawk Industries	1,200.0	333.2	27.8%	479.3	125.6	26.2%	441.5	129.4	29.3%	279.3	78.2	28.0%
VF Corporation	1,178.6	354.6	30.1%	428.5	130.7	30.5%	400.8	91.1	22.7%	349.3	132.7	38.0%
Pulte Homes	2,143.5	690.4	32.2%	972.7	311.0	32.0%	697.8	204.1	29.2%	473.0	175.3	37.1%
Liz Claiborne	864.4	281.5	32.6%	328.6	95.5	29.1%	290.3	101.2	34.9%	245.4	84.7	34.5%
Ryland Group	882.6	288.6	32.7%	381.3	122.9	32.2%	294.4	96.7	32.8%	206.9	68.9	33.3%
Nike	1,467.5	480.9	32.8%	572.6	146.3	25.5%	413.4	155.7	37.7%	481.6	178.9	37.2%
<b>Miscellaneous manufacturing</b>	<b>27,318.7</b>	<b>6,043.5</b>	<b>22.1%</b>	<b>10,068.2</b>	<b>2,345.1</b>	<b>23.3%</b>	<b>9,197.2</b>	<b>1,672.5</b>	<b>18.2%</b>	<b>8,053.3</b>	<b>2,025.9</b>	<b>25.2%</b>
<b>Miscellaneous services</b>												
Fluor	263.2	-24.3	-9.2%	106.6	0.7	0.7%	110.6	4.1	3.7%	45.9	-29.1	-63.3%
Time Warner	6,228.7	-457.3	-7.3%	4,223.8	-140.0	-3.3%	1,346.6	29.8	2.2%	658.3	-347.1	-52.7%
Shaw Group	275.8	-6.1	-2.2%	14.6	-0.0	-0.3%	137.4	-0.6	-0.4%	123.7	-5.5	-4.5%
Cendant	3,616.2	52.9	1.5%	1,794.3	111.3	6.2%	1,220.3	-57.7	-4.7%	601.6	-0.8	-0.1%
Marriott International	1,141.6	21.3	1.9%	383.5	-38.1	-9.9%	338.2	50.4	14.9%	419.9	9.0	2.1%
Manpower	113.2	4.9	4.3%	51.7	-2.9	-5.7%	26.5	-1.7	-6.6%	35.0	9.6	27.3%
Allied Waste Industries	683.4	29.5	4.3%	151.5	12.7	8.4%	274.2	-0.3	-0.1%	257.7	17.1	6.7%
Waste Management	3,111.8	175.4	5.6%	1,106.5	4.6	0.4%	1,241.2	89.2	7.2%	764.1	81.6	10.7%
Kelly Services	95.4	5.4	5.7%	18.4	-2.3	-12.6%	40.3	1.0	2.4%	36.6	6.8	18.5%
MGM Mirage	1,040.1	118.6	11.4%	343.2	60.0	17.5%	430.9	34.8	8.1%	266.0	23.9	9.0%
Disney, Walt	6,013.2	752.6	12.5%	1,763.9	-59.1	-3.4%	1,737.5	130.4	7.5%	2,511.9	681.3	27.1%
Brinker International	684.0	103.6	15.1%	245.3	25.4	10.4%	225.6	31.7	14.0%	213.1	46.5	21.8%
Aramark	951.4	149.5	15.7%	367.0	43.5	11.9%	356.2	53.3	15.0%	228.2	52.7	23.1%
Viacom	9,523.1	1,520.8	16.0%	4,007.2	744.2	18.6%	3,028.6	366.0	12.1%	2,487.4	410.5	16.5%
Emcor	228.1	40.8	17.9%	50.2	2.3	4.7%	101.1	33.4	33.0%	76.7	5.1	6.7%
Harrah's Entertainment	1,343.2	241.8	18.0%	470.0	116.1	24.7%	514.5	125.2	24.3%	358.7	0.5	0.2%
Darden Restaurants	972.4	188.7	19.4%	336.9	54.6	16.2%	349.7	67.4	19.3%	285.8	66.6	23.3%
FedEx	2,994.7	604.0	20.2%	1,203.7	87.5	7.3%	1,008.7	231.8	23.0%	782.3	284.7	36.4%
Omnicom	1,991.3	414.6	20.8%	690.5	130.3	18.9%	667.6	142.7	21.4%	633.2	141.7	22.4%
Jacobs Engineering Group	358.2	81.8	22.8%	135.9	27.3	20.1%	124.2	28.6	23.1%	98.1	25.8	26.3%

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 by Industry

\$-millions	Three-Year Totals			2003			2002			2001		
Industry & Company	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Yum Brands	1,885.8	445.2	23.6%	673.1	159.5	23.7%	650.8	96.5	14.8%	561.9	189.2	33.7%
McDonald's	2,942.9	716.7	24.4%	1,057.1	160.9	15.2%	924.2	256.3	27.7%	961.6	299.4	31.1%
UPS (United Parcel Service)	12,702.8	3,095.0	24.4%	3,998.9	998.7	25.0%	4,908.3	1,115.0	22.7%	3,795.5	981.2	25.9%
Starbucks	992.3	248.7	25.1%	411.8	109.9	26.7%	326.0	72.6	22.3%	254.6	66.2	26.0%
Caesar's Entertainment	430.0	110.6	25.7%	106.1	32.5	30.7%	189.4	48.2	25.4%	134.5	29.9	22.2%
Peter Kiewit Sons'	795.0	220.0	27.7%	238.0	62.0	26.1%	288.0	94.0	32.6%	269.0	64.0	23.8%
<b>Miscellaneous services</b>	<b>61,377.7</b>	<b>8,854.6</b>	<b>14.4%</b>	<b>23,949.9</b>	<b>2,701.7</b>	<b>11.3%</b>	<b>20,566.6</b>	<b>3,042.1</b>	<b>14.8%</b>	<b>16,861.1</b>	<b>3,110.8</b>	<b>18.4%</b>
<b>Motor vehicles and parts</b>												
American Axle & Manufacturing	705.8	74.9	10.6%	283.2	54.3	19.2%	261.8	14.1	5.4%	160.8	6.4	4.0%
United Auto Group	271.4	48.1	17.7%	111.2	14.9	13.4%	82.7	17.3	20.9%	77.5	16.0	20.6%
Johnson Controls	2,423.1	506.1	20.9%	949.8	151.2	15.9%	835.4	231.2	27.7%	638.0	123.7	19.4%
Autoliv	171.9	37.5	21.8%	48.4	18.1	37.4%	64.8	19.4	30.0%	58.7	-0.0	-0.0%
Sonic Automotive	437.8	104.1	23.8%	131.6	32.6	24.8%	172.8	40.0	23.1%	133.3	31.5	23.6%
AutoNation	1,606.7	492.0	30.6%	582.0	123.8	21.3%	604.5	182.7	30.2%	420.2	185.6	44.2%
CarMax	480.7	155.6	32.4%	181.3	60.6	33.4%	158.0	47.6	30.1%	141.4	47.4	33.5%
<b>Motor vehicles and parts</b>	<b>6,097.3</b>	<b>1,418.3</b>	<b>23.3%</b>	<b>2,287.4</b>	<b>455.5</b>	<b>19.9%</b>	<b>2,180.0</b>	<b>552.2</b>	<b>25.3%</b>	<b>1,630.0</b>	<b>410.6</b>	<b>25.2%</b>
<b>Petroleum &amp; pipelines</b>												
Devon Energy	2,437.6	73.5	3.0%	1,605.2	99.4	6.2%	344.0	-39.0	-11.3%	488.4	13.1	2.7%
Apache	1,807.0	57.3	3.2%	919.5	21.4	2.3%	286.7	19.1	6.6%	600.9	16.9	2.8%
Anadarko Petroleum	2,179.5	77.6	3.6%	1,355.2	65.2	4.8%	698.4	-14.6	-2.1%	125.9	27.0	21.5%
Burlington Resources	1,963.9	136.9	7.0%	974.7	80.4	8.3%	537.1	36.5	6.8%	452.1	19.9	4.4%
ConocoPhillips	7,905.7	782.5	9.9%	3,961.7	515.7	13.0%	855.3	48.5	5.7%	3,088.7	218.3	7.1%
ExxonMobil	21,387.9	3,217.8	15.0%	9,106.2	1,378.5	15.1%	4,221.7	223.6	5.3%	8,060.0	1,615.7	20.0%
Kinder Morgan	1,389.0	219.6	15.8%	603.7	162.7	26.9%	425.5	61.1	14.4%	359.8	-4.2	-1.2%
Marathon Oil	3,459.8	1,087.3	31.4%	1,087.0	279.8	25.7%	483.0	105.0	21.7%	1,889.7	702.6	37.2%
<b>Petroleum &amp; pipelines</b>	<b>42,530.3</b>	<b>5,652.4</b>	<b>13.3%</b>	<b>19,613.3</b>	<b>2,603.0</b>	<b>13.3%</b>	<b>7,851.7</b>	<b>440.1</b>	<b>5.6%</b>	<b>15,065.3</b>	<b>2,609.4</b>	<b>17.3%</b>
<b>Pharmaceuticals &amp; medical products</b>												
Baxter	1,885.3	-123.1	-6.5%	817.6	-142.4	-17.4%	607.5	74.6	12.3%	460.2	-55.4	-12.0%
Boston Scientific	701.8	12.9	1.8%	285.5	31.6	11.1%	376.2	-37.2	-9.9%	40.1	18.4	45.9%
Pfizer	14,517.4	1,191.7	8.2%	6,087.7	-167.8	-2.8%	4,324.4	1,206.2	27.9%	4,105.3	153.3	3.7%
Becton Dickinson	1,007.5	119.9	11.9%	327.7	82.6	25.2%	330.0	17.2	5.2%	349.7	20.1	5.8%
Eli Lilly	5,331.0	651.9	12.2%	1,620.1	341.6	21.1%	1,784.3	81.9	4.6%	1,926.7	228.4	11.9%
Medtronic	3,711.9	686.1	18.5%	1,283.1	270.1	21.0%	1,381.9	189.5	13.7%	1,046.9	226.5	21.6%
Abbott Laboratories	6,613.4	1,533.4	23.2%	2,296.0	553.6	24.1%	2,661.0	404.2	15.2%	1,656.4	575.6	34.8%
Stryker	717.4	174.5	24.3%	229.2	70.3	30.7%	259.4	61.4	23.7%	228.8	42.8	18.7%
Amgen	5,757.0	1,501.4	26.1%	2,164.6	829.6	38.3%	1,974.9	248.9	12.6%	1,617.4	422.9	26.1%

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\$-millions	Three-Year Totals			2003			2002			2001		
Industry & Company	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Johnson & Johnson	18,016.4	5,451.8	30.3%	6,980.1	2,395.6	34.3%	6,260.5	1,612.4	25.8%	4,775.8	1,443.8	30.2%
Merck	12,751.2	4,138.4	32.5%	3,885.6	1,296.4	33.4%	4,254.3	1,481.3	34.8%	4,611.3	1,360.7	29.5%
<b>Pharmaceuticals &amp; medical products</b>	<b>71,010.2</b>	<b>15,339.0</b>	<b>21.6%</b>	<b>25,977.2</b>	<b>5,561.3</b>	<b>21.4%</b>	<b>24,214.3</b>	<b>5,340.5</b>	<b>22.1%</b>	<b>20,818.7</b>	<b>4,437.2</b>	<b>21.3%</b>
<b>Publishing, printing</b>												
Tribune Company	2,723.1	544.6	20.0%	1,411.1	221.9	15.7%	921.3	185.1	20.1%	390.7	137.5	35.2%
Gannett	4,748.3	995.9	21.0%	1,680.5	422.0	25.1%	1,678.6	348.0	20.7%	1,389.2	225.9	16.3%
New York Times	1,295.2	301.1	23.3%	475.9	108.1	22.7%	494.8	81.0	16.4%	324.4	112.1	34.5%
McGraw Hill	2,336.1	708.8	30.3%	920.8	336.1	36.5%	777.5	191.9	24.7%	637.8	180.9	28.4%
<b>Publishing, printing</b>	<b>11,102.7</b>	<b>2,550.5</b>	<b>23.0%</b>	<b>4,488.4</b>	<b>1,088.1</b>	<b>24.2%</b>	<b>3,872.2</b>	<b>806.1</b>	<b>20.8%</b>	<b>2,742.1</b>	<b>656.4</b>	<b>23.9%</b>
<b>Retail &amp; wholesale trade</b>												
Ingram Micro	87.0	-13.8	-15.9%	9.0	-0.5	-6.0%	34.2	7.5	21.8%	43.8	-20.7	-47.3%
Wesco International	81.2	-11.7	-14.5%	30.8	1.2	4.0%	19.0	-13.9	-73.5%	31.4	0.9	3.0%
Fisher Scientific International	126.0	-7.5	-5.9%	35.0	6.6	18.8%	84.9	-6.9	-8.1%	6.2	-7.2	-116.5%
Saks	271.4	-5.9	-2.2%	107.8	-2.8	-2.6%	155.4	-0.4	-0.3%	8.1	-2.7	-32.8%
Ikon Office Solutions	494.6	2.6	0.5%	145.6	-11.2	-7.7%	198.3	6.9	3.5%	150.7	6.9	4.6%
Advance Auto Parts	322.0	12.0	3.7%	198.4	17.2	8.7%	92.4	-17.7	-19.2%	31.2	12.5	40.1%
Toys "R" Us	571.2	46.8	8.2%	146.7	-16.0	-10.9%	227.2	4.0	1.8%	197.3	58.8	29.8%
Sysco	3,272.9	427.7	13.1%	1,263.6	—	—	1,085.7	125.0	11.5%	923.6	302.6	32.8%
Nash Finch	137.9	19.5	14.1%	51.7	2.8	5.3%	49.0	6.4	13.1%	37.3	10.3	27.7%
Foot Locker	443.9	66.0	14.9%	171.8	46.3	27.0%	152.1	14.3	9.4%	120.0	5.3	4.5%
McKesson	1,816.8	299.6	16.5%	680.0	143.8	21.1%	656.0	105.1	16.0%	480.8	50.7	10.5%
Kroger	4,722.8	782.3	16.6%	1,160.0	159.6	13.8%	1,815.7	251.7	13.9%	1,747.1	371.0	21.2%
Cardinal Health	4,374.8	751.0	17.2%	1,742.5	387.5	22.2%	1,482.1	226.2	15.3%	1,150.1	137.2	11.9%
CDW	842.8	152.6	18.1%	274.7	61.2	22.3%	297.3	43.9	14.8%	270.8	47.4	17.5%
AmerisourceBergen	1,460.1	275.4	18.9%	705.2	126.4	17.9%	550.7	114.5	20.8%	204.3	34.4	16.9%
Supervalu	1,155.0	227.6	19.7%	448.3	109.8	24.5%	357.9	68.5	19.1%	348.8	49.3	14.1%
Performance Food Group	293.5	61.4	20.9%	115.5	18.5	16.0%	101.5	28.2	27.8%	76.5	14.7	19.2%
Dillard's	357.5	82.4	23.0%	20.2	-5.5	-27.0%	202.7	43.0	21.2%	134.6	44.8	33.3%
Hughes Supply	273.7	65.2	23.8%	94.6	25.5	27.0%	100.0	22.2	22.2%	79.1	17.6	22.2%
Dollar General	1,192.6	285.9	24.0%	468.4	133.0	28.4%	403.9	53.7	13.3%	320.3	99.2	31.0%
Tech Data	341.3	81.8	24.0%	100.8	17.7	17.5%	136.1	24.3	17.8%	104.4	39.9	38.2%
Graybar Electric	82.6	20.3	24.6%	14.3	-8.2	-57.3%	18.1	6.7	37.1%	50.2	21.8	43.4%
Borders	519.2	128.8	24.8%	187.1	56.3	30.1%	187.6	40.9	21.8%	144.5	31.6	21.8%
Ross Stores	921.1	231.1	25.1%	359.3	84.1	23.4%	317.3	82.1	25.9%	244.6	64.8	26.5%
Kohl's	2,718.6	696.8	25.6%	928.3	223.5	24.1%	1,004.8	262.2	26.1%	785.5	211.1	26.9%
BJ's Wholesale Club	515.4	132.8	25.8%	161.7	32.5	20.1%	229.0	38.0	16.6%	124.8	62.3	49.9%

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 by Industry

\$-millions Industry & Company	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
TJX	2,486.2	653.2	26.3%	893.6	233.3	26.1%	802.0	209.1	26.1%	790.6	210.7	26.7%
Target	7,524.2	2,000.2	26.6%	2,843.8	727.8	25.6%	2,569.5	641.5	25.0%	2,110.9	630.9	29.9%
Lowe's	6,682.7	1,832.7	27.4%	2,878.7	810.7	28.2%	2,262.0	566.0	25.0%	1,542.1	456.1	29.6%
Autozone	1,771.7	497.7	28.1%	803.8	188.8	23.5%	653.5	175.6	26.9%	314.4	133.4	42.4%
Henry Schein	521.5	147.1	28.2%	205.8	51.0	24.8%	178.3	52.6	29.5%	137.4	43.5	31.7%
Sears	8,809.6	2,505.9	28.4%	5,191.3	1,249.3	24.1%	2,321.2	968.2	41.7%	1,297.0	288.4	22.2%
Home Depot	16,022.8	4,602.8	28.7%	6,137.2	1,500.2	24.4%	5,343.8	1,622.8	30.4%	4,541.9	1,479.9	32.6%
Publix	2,767.8	805.3	29.1%	1,016.4	294.5	29.0%	961.3	270.4	28.1%	790.0	240.4	30.4%
Walgreen	4,736.2	1,378.5	29.1%	1,812.8	553.8	30.6%	1,562.1	463.2	29.7%	1,361.2	361.4	26.6%
Bed Bath & Beyond	1,466.7	432.1	29.5%	637.7	176.5	27.7%	478.3	158.3	33.1%	350.7	97.3	27.8%
Family Dollar Stores	1,004.3	297.8	29.7%	378.0	126.4	33.4%	334.0	96.9	29.0%	292.3	74.5	25.5%
May Department Stores	2,472.7	749.0	30.3%	579.0	231.0	39.9%	811.6	208.2	25.7%	1,082.1	309.8	28.6%
Genuine Parts	1,647.9	510.4	31.0%	580.0	162.8	28.1%	480.5	161.6	33.6%	587.3	186.0	31.7%
Radio Shack	1,135.2	364.1	32.1%	438.0	101.3	23.1%	372.8	126.6	34.0%	324.4	136.1	42.0%
Wal-Mart	30,915.2	10,053.2	32.5%	11,756.4	3,970.4	33.8%	10,275.5	3,229.5	31.4%	8,883.3	2,853.3	32.1%
Limited Brands	2,586.1	841.2	32.5%	1,068.9	352.7	33.0%	734.1	241.2	32.9%	783.2	247.4	31.6%
Best Buy	3,057.7	999.7	32.7%	1,217.1	422.1	34.7%	960.7	347.7	36.2%	879.9	229.9	26.1%
Federated Department Stores	2,710.4	886.4	32.7%	1,033.0	254.0	24.6%	956.7	382.7	40.0%	720.7	249.7	34.6%
United Stationers	316.7	104.7	33.1%	118.0	38.6	32.7%	83.8	27.4	32.7%	114.9	38.7	33.7%
Nordstrom	766.7	253.4	33.1%	382.6	118.6	31.0%	185.7	76.8	41.3%	198.4	58.1	29.3%
Costco	2,535.0	852.6	33.6%	872.6	285.1	32.7%	887.4	309.0	34.8%	775.0	258.5	33.4%
CVS	3,224.6	1,112.9	34.5%	1,275.2	418.8	32.8%	1,046.6	344.6	32.9%	902.8	349.5	38.7%
<b>Retail &amp; wholesale trade</b>	<b>132,557.8</b>	<b>36,691.5</b>	<b>27.7%</b>	<b>51,741.4</b>	<b>13,877.0</b>	<b>26.8%</b>	<b>44,219.9</b>	<b>12,216.3</b>	<b>27.6%</b>	<b>36,596.5</b>	<b>10,598.3</b>	<b>29.0%</b>
<b>Telecommunications</b>												
Verizon	12,264.2	58.5	0.5%	4,290.4	77.1	1.8%	5,642.4	-685.0	-12.1%	2,331.5	666.5	28.6%
AT&T	13,453.5	136.7	1.0%	2,723.0	-343.2	-12.6%	2,905.0	-1,046.2	-36.0%	7,825.5	1,526.1	19.5%
SBC Communications	30,321.1	1,580.0	5.2%	8,941.1	-475.9	-5.3%	10,350.8	343.4	3.3%	11,029.2	1,712.4	15.5%
Alltel	4,501.3	890.5	19.8%	1,488.0	245.7	16.5%	1,361.7	167.2	12.3%	1,651.6	477.7	28.9%
BellSouth	12,663.3	2,799.7	22.1%	5,088.9	1,003.8	19.7%	3,988.5	460.9	11.6%	3,585.8	1,335.0	37.2%
<b>Telecommunications</b>	<b>73,203.4</b>	<b>5,465.4</b>	<b>7.5%</b>	<b>22,531.4</b>	<b>507.5</b>	<b>2.3%</b>	<b>24,248.3</b>	<b>-759.7</b>	<b>-3.1%</b>	<b>26,423.7</b>	<b>5,717.6</b>	<b>21.6%</b>
<b>Transportation</b>												
CSX	1,187.5	-89.4	-7.5%	179.3	-69.5	-38.8%	631.5	47.8	7.6%	376.8	-67.6	-17.9%
Ryder	318.5	-9.9	-3.1%	148.8	-4.0	-2.7%	120.7	-5.3	-4.4%	49.0	-0.6	-1.1%
Southwest Airlines	1,930.1	42.2	2.2%	705.1	39.1	5.5%	398.3	-50.9	-12.8%	826.7	54.0	6.5%
Burlington Northern Santa Fe	3,605.2	113.2	3.1%	1,226.2	-17.8	-1.5%	1,214.0	16.0	1.3%	1,164.9	114.9	9.9%
Union Pacific	5,022.0	217.5	4.3%	1,606.5	47.9	3.0%	1,940.9	57.2	2.9%	1,474.6	112.5	7.6%

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 by Industry

\$-millions	Three-Year Totals			2003			2002			2001		
Industry & Company	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Norfolk Southern	1,806.6	210.6	11.7%	575.3	30.3	5.3%	700.0	56.0	8.0%	531.2	124.2	23.4%
C.H. Robinson	439.1	135.2	30.8%	170.6	51.7	30.3%	140.8	49.2	34.9%	127.7	34.3	26.9%
<b>Transportation</b>	<b>14,309.0</b>	<b>619.4</b>	<b>4.3%</b>	<b>4,611.9</b>	<b>77.8</b>	<b>1.7%</b>	<b>5,146.3</b>	<b>169.9</b>	<b>3.3%</b>	<b>4,550.9</b>	<b>371.7</b>	<b>8.2%</b>
<b>Utilities, gas and electric</b>												
Pepco Holdings	725.2	-432.3	-59.6%	137.5	-126.5	-92.0%	351.8	-305.0	-86.7%	235.9	-0.8	-0.3%
CenterPoint Energy	2,025.3	-47.1	-2.3%	659.8	-288.0	-43.7%	558.4	-113.0	-20.2%	807.2	353.9	43.8%
Valero Energy	1,570.2	-4.3	-0.3%	634.1	-41.0	-6.5%	44.9	-16.3	-36.3%	891.2	53.1	6.0%
OGE Energy	485.0	-0.9	-0.2%	215.4	-35.8	-16.6%	126.2	12.5	9.9%	143.4	22.4	15.6%
Entergy	3,270.4	43.7	1.3%	561.5	-757.9	-135.0%	1,587.5	489.3	30.8%	1,121.4	312.4	27.9%
Dominion Resources	4,479.3	140.1	3.1%	1,514.4	109.4	7.2%	1,998.6	-63.4	-3.2%	966.3	94.1	9.7%
FPL Group	3,348.3	179.5	5.4%	1,282.1	-181.3	-14.1%	961.1	-70.3	-7.3%	1,105.2	431.1	39.0%
Public Service Enterprise Group	3,057.6	216.3	7.1%	1,369.2	-207.8	-15.2%	611.1	174.0	28.5%	1,077.3	250.1	23.2%
Cinergy	1,830.6	171.3	9.4%	557.6	28.1	5.0%	564.9	13.8	2.4%	708.1	129.4	18.3%
Consolidated Edison	3,050.9	329.9	10.8%	852.3	-119.6	-14.0%	1,094.3	78.4	7.2%	1,104.2	371.1	33.6%
Southern	5,409.8	839.7	15.5%	2,048.8	104.8	5.1%	1,785.7	264.7	14.8%	1,575.4	470.3	29.9%
Reliant Resources	1,140.2	180.5	15.8%	138.1	-14.3	-10.4%	202.2	-59.7	-29.5%	799.9	254.5	31.8%
Energy East	1,051.8	182.3	17.3%	353.5	7.0	2.0%	294.3	42.2	14.3%	404.1	133.1	32.9%
PPL	1,810.1	329.9	18.2%	812.7	22.6	2.8%	425.5	40.8	9.6%	571.9	266.5	46.6%
Sempra Energy	1,680.5	321.5	19.1%	535.3	91.5	17.1%	554.1	194.5	35.1%	591.1	35.5	6.0%
Constellation Energy	1,615.9	324.4	20.1%	711.6	133.9	18.8%	811.0	145.0	17.9%	93.3	45.5	48.8%
DTE Energy Company	1,077.6	241.2	22.4%	357.0	74.5	20.9%	502.0	158.2	31.5%	218.6	8.5	3.9%
NiSource	1,678.4	445.5	26.5%	635.7	131.6	20.7%	620.4	125.8	20.3%	422.2	188.1	44.6%
Exelon	7,193.4	2,037.3	28.3%	2,260.6	558.9	24.7%	2,573.7	615.8	23.9%	2,359.1	862.5	36.6%
TXU	2,023.0	589.6	29.1%	906.0	291.0	32.1%	328.9	44.8	13.6%	788.1	253.9	32.2%
Ameren	2,105.1	664.1	31.5%	769.8	275.8	35.8%	590.4	143.4	24.3%	745.0	245.0	32.9%
American Electric Power	3,165.4	1,014.5	32.0%	915.7	297.0	32.4%	767.6	307.0	40.0%	1,482.1	410.5	27.7%
<b>Utilities, gas and electric</b>	<b>53,794.0</b>	<b>7,766.8</b>	<b>14.4%</b>	<b>18,228.6</b>	<b>353.8</b>	<b>1.9%</b>	<b>17,354.6</b>	<b>2,222.4</b>	<b>12.8%</b>	<b>18,210.7</b>	<b>5,190.6</b>	<b>28.5%</b>
<b>ALL INDUSTRIES</b>	<b>\$ 1,057,038</b>	<b>\$ 194,799</b>	<b>18.4%</b>	<b>\$ 399,274</b>	<b>\$ 68,749</b>	<b>17.2%</b>	<b>\$ 339,903</b>	<b>\$ 58,185</b>	<b>17.1%</b>	<b>\$ 317,861</b>	<b>\$ 67,866</b>	<b>21.4%</b>

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (by 3-year tax rate)

\$-millions	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Pepco Holdings	725.2	-432.3	-59.6%	137.5	-126.5	-92.0%	351.8	-305.0	-86.7%	235.9	-0.8	-0.3%
Prudential Financial	2,263.6	-1,045.7	-46.2%	1,826.6	100.4	5.5%	100.9	-125.1	-124.0%	336.1	-1,021.0	-303.7%
ITT Industries	820.5	-182.6	-22.3%	282.9	-66.1	-23.4%	293.6	-81.2	-27.7%	244.0	-35.3	-14.5%
Boeing	5,687.6	-1,067.1	-18.8%	1,069.1	-1,699.8	-159.0%	2,208.7	229.2	10.4%	2,409.8	403.5	16.7%
Unisys	333.7	-53.4	-16.0%	150.6	-38.6	-25.6%	102.7	-9.4	-9.1%	80.4	-5.4	-6.7%
Ingram Micro	87.0	-13.8	-15.9%	9.0	-0.5	-6.0%	34.2	7.5	21.8%	43.8	-20.7	-47.3%
Wesco International	81.2	-11.7	-14.5%	30.8	1.2	4.0%	19.0	-13.9	-73.5%	31.4	0.9	3.0%
Principal Group	2,024.7	-259.2	-12.8%	924.0	-11.2	-1.2%	623.8	-101.6	-16.3%	477.0	-146.4	-30.7%
Fluor	263.2	-24.3	-9.2%	106.6	0.7	0.7%	110.6	4.1	3.7%	45.9	-29.1	-63.3%
Reebok	58.7	-5.4	-9.1%	32.5	-4.5	-13.7%	23.7	3.8	15.9%	2.6	-4.7	-183.4%
CSX	1,187.5	-89.4	-7.5%	179.3	-69.5	-38.8%	631.5	47.8	7.6%	376.8	-67.6	-17.9%
Time Warner	6,228.7	-457.3	-7.3%	4,223.8	-140.0	-3.3%	1,346.6	29.8	2.2%	658.3	-347.1	-52.7%
Baxter	1,885.3	-123.1	-6.5%	817.6	-142.4	-17.4%	607.5	74.6	12.3%	460.2	-55.4	-12.0%
Caremark RX	988.8	-61.1	-6.2%	474.5	-13.3	-2.8%	319.7	-52.0	-16.3%	194.7	4.1	2.1%
Fisher Scientific International	126.0	-7.5	-5.9%	35.0	6.6	18.8%	84.9	-6.9	-8.1%	6.2	-7.2	-116.5%
NCR	708.0	-41.0	-5.8%	102.6	-39.0	-38.0%	290.9	-2.0	-0.7%	314.6	-0.0	-0.0%
Timken	265.5	-14.2	-5.4%	51.6	-0.9	-1.8%	175.5	5.2	3.0%	38.5	-18.5	-48.1%
Ryder	318.5	-9.9	-3.1%	148.8	-4.0	-2.7%	120.7	-5.3	-4.4%	49.0	-0.6	-1.1%
Pitney Bowes	1,823.1	-56.1	-3.1%	623.2	-43.9	-7.0%	485.1	-156.1	-32.2%	714.8	143.9	20.1%
Triad Hospitals	501.6	-15.4	-3.1%	168.9	12.2	7.2%	236.1	-18.0	-7.6%	96.6	-9.6	-9.9%
Computer Sciences	1,290.5	-30.6	-2.4%	558.3	-8.3	-1.5%	408.1	-15.7	-3.8%	324.2	-6.7	-2.1%
CenterPoint Energy	2,025.3	-47.1	-2.3%	659.8	-288.0	-43.7%	558.4	-113.0	-20.2%	807.2	353.9	43.8%
Shaw Group	275.8	-6.1	-2.2%	14.6	-0.0	-0.3%	137.4	-0.6	-0.4%	123.7	-5.5	-4.5%
Saks	271.4	-5.9	-2.2%	107.8	-2.8	-2.6%	155.4	-0.4	-0.3%	8.1	-2.7	-32.8%
KeySpan	1,861.8	-30.6	-1.6%	718.4	-89.8	-12.5%	647.6	-19.1	-3.0%	495.9	78.3	15.8%
JPMorgan Chase	10,885.3	-119.6	-1.1%	6,420.5	937.4	14.6%	2,514.6	-1,397.9	-55.6%	1,950.3	340.9	17.5%
Valero Energy	1,570.2	-4.3	-0.3%	634.1	-41.0	-6.5%	44.9	-16.3	-36.3%	891.2	53.1	6.0%
OGE Energy	485.0	-0.9	-0.2%	215.4	-35.8	-16.6%	126.2	12.5	9.9%	143.4	22.4	15.6%
Verizon	12,264.2	58.5	0.5%	4,290.4	77.1	1.8%	5,642.4	-685.0	-12.1%	2,331.5	666.5	28.6%
Ikon Office Solutions	494.6	2.6	0.5%	145.6	-11.2	-7.7%	198.3	6.9	3.5%	150.7	6.9	4.6%
AT&T	13,453.5	136.7	1.0%	2,723.0	-343.2	-12.6%	2,905.0	-1,046.2	-36.0%	7,825.5	1,526.1	19.5%
United Technologies	5,155.5	54.7	1.1%	1,502.6	33.2	2.2%	1,892.8	78.8	4.2%	1,760.1	-57.3	-3.3%
Entergy	3,270.4	43.7	1.3%	561.5	-757.9	-135.0%	1,587.5	489.3	30.8%	1,121.4	312.4	27.9%
Danaher	1,502.3	20.2	1.3%	553.1	-22.7	-4.1%	483.7	-23.4	-4.8%	465.5	66.3	14.2%
Rockwell Automation	438.6	6.1	1.4%	212.8	12.6	5.9%	113.3	-8.0	-7.0%	112.5	1.4	1.3%

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (by 3-year tax rate)

\$-millions	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Cendant	3,616.2	52.9	1.5%	1,794.3	111.3	6.2%	1,220.3	-57.7	-4.7%	601.6	-0.8	-0.1%
Boston Scientific	701.8	12.9	1.8%	285.5	31.6	11.1%	376.2	-37.2	-9.9%	40.1	18.4	45.9%
Lehman Brothers	4,420.7	81.9	1.9%	1,824.9	-39.1	-2.1%	845.0	84.0	9.9%	1,750.7	37.0	2.1%
IBM	13,935.3	260.3	1.9%	4,599.9	66.9	1.5%	3,677.5	174.5	4.7%	5,657.8	18.8	0.3%
Marriott International	1,141.6	21.3	1.9%	383.5	-38.1	-9.9%	338.2	50.4	14.9%	419.9	9.0	2.1%
Southwest Airlines	1,930.1	42.2	2.2%	705.1	39.1	5.5%	398.3	-50.9	-12.8%	826.7	54.0	6.5%
Devon Energy	2,437.6	73.5	3.0%	1,605.2	99.4	6.2%	344.0	-39.0	-11.3%	488.4	13.1	2.7%
Dominion Resources	4,479.3	140.1	3.1%	1,514.4	109.4	7.2%	1,998.6	-63.4	-3.2%	966.3	94.1	9.7%
Burlington Northern Santa Fe	3,605.2	113.2	3.1%	1,226.2	-17.8	-1.5%	1,214.0	16.0	1.3%	1,164.9	114.9	9.9%
Apache	1,807.0	57.3	3.2%	919.5	21.4	2.3%	286.7	19.1	6.6%	600.9	16.9	2.8%
Anadarko Petroleum	2,179.5	77.6	3.6%	1,355.2	65.2	4.8%	698.4	-14.6	-2.1%	125.9	27.0	21.5%
Bank of New York	4,795.6	172.9	3.6%	1,616.8	56.8	3.5%	1,405.5	145.1	10.3%	1,773.3	-29.0	-1.6%
Caterpillar	1,562.6	56.6	3.6%	485.4	-6.4	-1.3%	344.6	-74.6	-21.6%	732.6	137.6	18.8%
SPX	1,271.2	46.1	3.6%	389.5	54.7	14.0%	478.4	-12.9	-2.7%	403.3	4.3	1.1%
Advance Auto Parts	322.0	12.0	3.7%	198.4	17.2	8.7%	92.4	-17.7	-19.2%	31.2	12.5	40.1%
Manpower	113.2	4.9	4.3%	51.7	-2.9	-5.7%	26.5	-1.7	-6.6%	35.0	9.6	27.3%
Engelhard	581.1	25.0	4.3%	175.3	12.3	7.0%	213.8	18.2	8.5%	192.0	-5.4	-2.8%
Allied Waste Industries	683.4	29.5	4.3%	151.5	12.7	8.4%	274.2	-0.3	-0.1%	257.7	17.1	6.7%
Union Pacific	5,022.0	217.5	4.3%	1,606.5	47.9	3.0%	1,940.9	57.2	2.9%	1,474.6	112.5	7.6%
Dover	642.4	30.3	4.7%	235.1	2.2	1.0%	212.4	3.0	1.4%	195.0	25.0	12.8%
Lexmark	742.4	38.5	5.2%	306.9	-2.5	-0.8%	256.3	37.8	14.8%	179.2	3.2	1.8%
SBC Communications	30,321.1	1,580.0	5.2%	8,941.1	-475.9	-5.3%	10,350.8	343.4	3.3%	11,029.2	1,712.4	15.5%
FPL Group	3,348.3	179.5	5.4%	1,282.1	-181.3	-14.1%	961.1	-70.3	-7.3%	1,105.2	431.1	39.0%
L-3 Communications	896.1	49.9	5.6%	393.8	29.3	7.4%	296.5	15.8	5.3%	205.8	4.9	2.4%
Waste Management	3,111.8	175.4	5.6%	1,106.5	4.6	0.4%	1,241.2	89.2	7.2%	764.1	81.6	10.7%
Kelly Services	95.4	5.4	5.7%	18.4	-2.3	-12.6%	40.3	1.0	2.4%	36.6	6.8	18.5%
State Street	3,163.7	189.7	6.0%	885.2	42.2	4.8%	1,373.4	120.0	8.7%	905.0	27.5	3.0%
John Hancock	2,431.0	154.1	6.3%	1,157.6	150.4	13.0%	517.8	42.3	8.2%	755.6	-38.6	-5.1%
Burlington Resources	1,963.9	136.9	7.0%	974.7	80.4	8.3%	537.1	36.5	6.8%	452.1	19.9	4.4%
Sara Lee	3,058.1	215.7	7.1%	1,068.2	219.7	20.6%	734.1	16.2	2.2%	1,255.8	-20.3	-1.6%
Public Service Enterprise Group	3,057.6	216.3	7.1%	1,369.2	-207.8	-15.2%	611.1	174.0	28.5%	1,077.3	250.1	23.2%
Humana	695.0	49.9	7.2%	333.6	56.5	16.9%	187.5	-7.0	-3.7%	173.8	0.3	0.2%
Praxair	644.0	46.6	7.2%	212.8	19.2	9.0%	222.3	6.0	2.7%	208.8	21.5	10.3%
BB&T	4,646.5	353.1	7.6%	1,423.4	4.6	0.3%	1,748.5	179.2	10.3%	1,474.5	169.2	11.5%
Toys "R" Us	571.2	46.8	8.2%	146.7	-16.0	-10.9%	227.2	4.0	1.8%	197.3	58.8	29.8%

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (by 3-year tax rate)

Company	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Pfizer	14,517.4	1,191.7	8.2%	6,087.7	-167.8	-2.8%	4,324.4	1,206.2	27.9%	4,105.3	153.3	3.7%
Dean Foods	1,178.8	99.5	8.4%	546.3	33.8	6.2%	411.6	36.1	8.8%	220.9	29.6	13.4%
Nucor	502.0	43.9	8.7%	78.7	-58.9	-74.9%	247.4	53.2	21.5%	175.9	49.5	28.2%
Maytag	668.2	59.3	8.9%	185.7	2.5	1.3%	291.6	19.7	6.8%	190.9	37.1	19.4%
General Electric	36,809.1	3,402.3	9.2%	10,826.0	1,244.3	11.5%	11,998.5	-33.3	-0.3%	13,984.6	2,191.4	15.7%
Cinergy	1,830.6	171.3	9.4%	557.6	28.1	5.0%	564.9	13.8	2.4%	708.1	129.4	18.3%
Allstate	6,396.0	607.1	9.5%	3,571.0	530.2	14.8%	1,540.0	-13.8	-0.9%	1,285.0	90.7	7.1%
Raytheon	2,526.7	239.9	9.5%	750.8	130.0	17.3%	1,418.2	27.0	1.9%	357.7	82.9	23.2%
American Standard Companies	1,605.3	153.9	9.6%	544.8	37.7	6.9%	551.3	43.0	7.8%	509.2	73.2	14.4%
Wachovia	12,846.0	1,237.0	9.6%	5,343.1	918.0	17.2%	4,054.5	-164.0	-4.0%	3,448.4	483.0	14.0%
AFLAC	778.3	76.0	9.8%	99.3	27.0	27.2%	355.3	25.0	7.0%	323.7	24.0	7.4%
ConocoPhillips	7,905.7	782.5	9.9%	3,961.7	515.7	13.0%	855.3	48.5	5.7%	3,088.7	218.3	7.1%
Weyerhaeuser	1,508.1	154.0	10.2%	485.1	70.6	14.5%	353.6	15.2	4.3%	669.4	68.2	10.2%
American Axle & Manufacturing	705.8	74.9	10.6%	283.2	54.3	19.2%	261.8	14.1	5.4%	160.8	6.4	4.0%
Consolidated Edison	3,050.9	329.9	10.8%	852.3	-119.6	-14.0%	1,094.3	78.4	7.2%	1,104.2	371.1	33.6%
Ball	522.2	57.8	11.1%	181.2	29.1	16.1%	220.4	33.9	15.4%	120.5	-5.3	-4.4%
Goodrich	595.9	67.1	11.3%	91.2	26.8	29.4%	252.9	5.1	2.0%	251.8	35.2	14.0%
MGM Mirage	1,040.1	118.6	11.4%	343.2	60.0	17.5%	430.9	34.8	8.1%	266.0	23.9	9.0%
Newell Rubbermaid	1,119.7	130.3	11.6%	248.7	-13.6	-5.5%	491.5	53.4	10.9%	379.5	90.5	23.9%
Norfolk Southern	1,806.6	210.6	11.7%	575.3	30.3	5.3%	700.0	56.0	8.0%	531.2	124.2	23.4%
Becton Dickinson	1,007.5	119.9	11.9%	327.7	82.6	25.2%	330.0	17.2	5.2%	349.7	20.1	5.8%
Pepsi Bottling	1,554.5	189.0	12.2%	562.2	85.0	15.1%	581.8	19.0	3.3%	410.5	85.0	20.7%
Eli Lilly	5,331.0	651.9	12.2%	1,620.1	341.6	21.1%	1,784.3	81.9	4.6%	1,926.7	228.4	11.9%
Brunswick	413.4	50.7	12.3%	152.5	38.5	25.2%	154.9	26.7	17.3%	106.0	-14.5	-13.7%
Colgate-Palmolive	1,590.3	195.3	12.3%	587.7	108.6	18.5%	535.9	63.0	11.8%	466.7	23.7	5.1%
Disney, Walt	6,013.2	752.6	12.5%	1,763.9	-59.1	-3.4%	1,737.5	130.4	7.5%	2,511.9	681.3	27.1%
Merrill Lynch	8,893.2	1,147.0	12.9%	3,592.1	510.4	14.2%	1,982.4	339.9	17.1%	3,318.7	296.7	8.9%
PNC	4,012.5	519.5	12.9%	1,521.0	279.0	18.3%	1,923.0	78.6	4.1%	568.5	161.9	28.5%
Sysco	3,272.9	427.7	13.1%	1,263.6	—	—	1,085.7	125.0	11.5%	923.6	302.6	32.8%
3M	4,834.2	658.6	13.6%	1,759.7	350.4	19.9%	1,655.6	-20.7	-1.2%	1,418.8	328.9	23.2%
American Express	7,281.9	1,007.7	13.8%	3,222.1	557.5	17.3%	2,692.9	589.9	21.9%	1,366.9	-139.7	-10.2%
Nash Finch	137.9	19.5	14.1%	51.7	2.8	5.3%	49.0	6.4	13.1%	37.3	10.3	27.7%
Affiliated Computer Services	1,036.6	147.0	14.2%	475.4	58.1	12.2%	347.5	56.0	16.1%	213.7	32.9	15.4%
PepsiAmericas	710.1	103.4	14.6%	233.9	54.8	23.4%	226.9	16.2	7.1%	249.3	32.4	13.0%
Foot Locker	443.9	66.0	14.9%	171.8	46.3	27.0%	152.1	14.3	9.4%	120.0	5.3	4.5%

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (by 3-year tax rate)

\$-millions	Three-Year Totals			2003			2002			2001		
Company	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Textron	1,549.1	231.4	14.9%	231.2	34.0	14.7%	450.4	51.4	11.4%	867.5	146.0	16.8%
ExxonMobil	21,387.9	3,217.8	15.0%	9,106.2	1,378.5	15.1%	4,221.7	223.6	5.3%	8,060.0	1,615.7	20.0%
Intel	9,895.2	1,491.3	15.1%	6,178.5	629.4	10.2%	2,224.9	318.7	14.3%	1,491.8	543.3	36.4%
First Data	4,460.2	673.2	15.1%	1,717.1	257.0	15.0%	1,549.2	226.0	14.6%	1,193.9	190.2	15.9%
Brinker International	684.0	103.6	15.1%	245.3	25.4	10.4%	225.6	31.7	14.0%	213.1	46.5	21.8%
Southern	5,409.8	839.7	15.5%	2,048.8	104.8	5.1%	1,785.7	264.7	14.8%	1,575.4	470.3	29.9%
Aramark	951.4	149.5	15.7%	367.0	43.5	11.9%	356.2	53.3	15.0%	228.2	52.7	23.1%
Kinder Morgan	1,389.0	219.6	15.8%	603.7	162.7	26.9%	425.5	61.1	14.4%	359.8	-4.2	-1.2%
Reliant Resources	1,140.2	180.5	15.8%	138.1	-14.3	-10.4%	202.2	-59.7	-29.5%	799.9	254.5	31.8%
Viacom	9,523.1	1,520.8	16.0%	4,007.2	744.2	18.6%	3,028.6	366.0	12.1%	2,487.4	410.5	16.5%
HCA	4,996.4	801.9	16.1%	2,096.7	167.4	8.0%	1,393.8	394.2	28.3%	1,505.9	240.4	16.0%
Metlife	6,797.5	1,099.0	16.2%	1,786.3	363.0	20.3%	2,085.0	803.0	38.5%	2,926.2	-67.0	-2.3%
McKesson	1,816.8	299.6	16.5%	680.0	143.8	21.1%	656.0	105.1	16.0%	480.8	50.7	10.5%
Kroger	4,722.8	782.3	16.6%	1,160.0	159.6	13.8%	1,815.7	251.7	13.9%	1,747.1	371.0	21.2%
Cardinal Health	4,374.8	751.0	17.2%	1,742.5	387.5	22.2%	1,482.1	226.2	15.3%	1,150.1	137.2	11.9%
Fifth Third	6,685.8	1,152.5	17.2%	2,594.2	468.2	18.0%	2,415.5	439.5	18.2%	1,676.1	244.8	14.6%
Energy East	1,051.8	182.3	17.3%	353.5	7.0	2.0%	294.3	42.2	14.3%	404.1	133.1	32.9%
Nationwide	1,219.5	213.8	17.5%	517.8	133.1	25.7%	133.5	54.5	40.8%	568.2	26.1	4.6%
United Auto Group	271.4	48.1	17.7%	111.2	14.9	13.4%	82.7	17.3	20.9%	77.5	16.0	20.6%
Emcor	228.1	40.8	17.9%	50.2	2.3	4.7%	101.1	33.4	33.0%	76.7	5.1	6.7%
Harrah's Entertainment	1,343.2	241.8	18.0%	470.0	116.1	24.7%	514.5	125.2	24.3%	358.7	0.5	0.2%
KeyCorp	3,243.3	585.1	18.0%	1,139.0	229.2	20.1%	1,026.4	143.3	14.0%	1,077.8	212.6	19.7%
CDW	842.8	152.6	18.1%	274.7	61.2	22.3%	297.3	43.9	14.8%	270.8	47.4	17.5%
PPL	1,810.1	329.9	18.2%	812.7	22.6	2.8%	425.5	40.8	9.6%	571.9	266.5	46.6%
Kimberly-Clark	5,043.5	920.9	18.3%	1,611.1	324.4	20.1%	1,740.0	247.2	14.2%	1,692.4	349.3	20.6%
American Financial Group	571.5	105.1	18.4%	294.0	43.0	14.6%	179.6	17.5	9.7%	97.9	44.6	45.6%
Medtronic	3,711.9	686.1	18.5%	1,283.1	270.1	21.0%	1,381.9	189.5	13.7%	1,046.9	226.5	21.6%
AmerisourceBergen	1,460.1	275.4	18.9%	705.2	126.4	17.9%	550.7	114.5	20.8%	204.3	34.4	16.9%
Parker Hannifin	819.9	155.2	18.9%	159.9	28.3	17.7%	199.7	32.7	16.4%	460.3	94.2	20.5%
Sempra Energy	1,680.5	321.5	19.1%	535.3	91.5	17.1%	554.1	194.5	35.1%	591.1	35.5	6.0%
Microsoft	29,455.0	5,710.0	19.4%	11,346.0	2,485.0	21.9%	8,920.0	2,048.0	23.0%	9,189.0	1,177.0	12.8%
Darden Restaurants	972.4	188.7	19.4%	336.9	54.6	16.2%	349.7	67.4	19.3%	285.8	66.6	23.3%
Eaton	927.7	180.9	19.5%	310.0	86.0	27.7%	288.3	111.9	38.8%	329.4	-17.0	-5.2%
Avon	746.4	146.5	19.6%	301.9	39.3	13.0%	276.2	52.2	18.9%	168.2	54.9	32.7%
Supervalu	1,155.0	227.6	19.7%	448.3	109.8	24.5%	357.9	68.5	19.1%	348.8	49.3	14.1%

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (by 3-year tax rate)

Company	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Ecolab	748.2	147.6	19.7%	269.8	48.8	18.1%	245.1	24.7	10.1%	233.3	74.1	31.8%
Alltel	4,501.3	890.5	19.8%	1,488.0	245.7	16.5%	1,361.7	167.2	12.3%	1,651.6	477.7	28.9%
Quest Diagnostics	1,538.6	306.7	19.9%	691.3	189.5	27.4%	526.7	69.0	13.1%	320.6	48.2	15.0%
Tribune Company	2,723.1	544.6	20.0%	1,411.1	221.9	15.7%	921.3	185.1	20.1%	390.7	137.5	35.2%
Constellation Energy	1,615.9	324.4	20.1%	711.6	133.9	18.8%	811.0	145.0	17.9%	93.3	45.5	48.8%
Kellogg's	1,980.0	398.9	20.1%	760.1	136.0	17.9%	743.8	146.9	19.8%	476.1	116.0	24.4%
FedEx	2,994.7	604.0	20.2%	1,203.7	87.5	7.3%	1,008.7	231.8	23.0%	782.3	284.7	36.4%
Omnicare	633.2	131.5	20.8%	299.6	54.1	18.0%	199.9	55.4	27.7%	133.7	22.1	16.5%
Omnicom	1,991.3	414.6	20.8%	690.5	130.3	18.9%	667.6	142.7	21.4%	633.2	141.7	22.4%
Johnson Controls	2,423.1	506.1	20.9%	949.8	151.2	15.9%	835.4	231.2	27.7%	638.0	123.7	19.4%
Performance Food Group	293.5	61.4	20.9%	115.5	18.5	16.0%	101.5	28.2	27.8%	76.5	14.7	19.2%
Gannett	4,748.3	995.9	21.0%	1,680.5	422.0	25.1%	1,678.6	348.0	20.7%	1,389.2	225.9	16.3%
ConAgra	3,271.7	688.3	21.0%	1,122.5	172.9	15.4%	1,125.2	234.5	20.8%	1,023.9	280.8	27.4%
Old Republic International	1,744.8	370.5	21.2%	680.0	167.6	24.7%	560.9	101.1	18.0%	503.9	101.7	20.2%
Illinois Tool Works	3,165.2	679.7	21.5%	1,043.1	152.3	14.6%	1,163.2	311.7	26.8%	958.9	215.7	22.5%
Sherwin-Williams	1,397.6	305.2	21.8%	508.1	98.0	19.3%	481.3	113.5	23.6%	408.1	93.6	22.9%
Autoliv	171.9	37.5	21.8%	48.4	18.1	37.4%	64.8	19.4	30.0%	58.7	-0.0	-0.0%
BellSouth	12,663.3	2,799.7	22.1%	5,088.9	1,003.8	19.7%	3,988.5	460.9	11.6%	3,585.8	1,335.0	37.2%
Coca-Cola Company	6,166.6	1,366.8	22.2%	1,946.9	416.9	21.4%	1,948.0	445.9	22.9%	2,271.7	504.0	22.2%
DTE Energy Company	1,077.6	241.2	22.4%	357.0	74.5	20.9%	502.0	158.2	31.5%	218.6	8.5	3.9%
Estee Lauder	580.4	130.5	22.5%	185.0	28.3	15.3%	114.1	35.9	31.5%	281.3	66.3	23.6%
Suntrust	5,803.6	1,309.0	22.6%	1,906.2	376.6	19.8%	1,902.9	356.8	18.8%	1,994.5	575.6	28.9%
Health Net	964.3	219.0	22.7%	487.4	152.9	31.4%	340.6	67.0	19.7%	136.3	-1.0	-0.7%
Archer Daniels Midland	1,018.9	231.7	22.7%	355.6	13.5	3.8%	428.4	169.7	39.6%	234.9	48.6	20.7%
Jacobs Engineering Group	358.2	81.8	22.8%	135.9	27.3	20.1%	124.2	28.6	23.1%	98.1	25.8	26.3%
Countrywide Financial	5,743.2	1,312.3	22.9%	3,683.7	910.2	24.7%	1,299.4	244.4	18.8%	760.0	157.7	20.8%
Avery Dennison	514.4	118.3	23.0%	144.2	45.8	31.8%	193.2	33.0	17.1%	177.0	39.5	22.3%
Dillard's	357.5	82.4	23.0%	20.2	-5.5	-27.0%	202.7	43.0	21.2%	134.6	44.8	33.3%
Regions	2,599.5	599.8	23.1%	914.8	219.6	24.0%	878.1	203.9	23.2%	806.6	176.4	21.9%
Comerica	2,968.8	686.5	23.1%	889.6	198.3	22.3%	960.3	196.6	20.5%	1,118.8	291.7	26.1%
Abbott Laboratories	6,613.4	1,533.4	23.2%	2,296.0	553.6	24.1%	2,661.0	404.2	15.2%	1,656.4	575.6	34.8%
New York Times	1,295.2	301.1	23.3%	475.9	108.1	22.7%	494.8	81.0	16.4%	324.4	112.1	34.5%
Gillette	2,127.3	495.4	23.3%	798.2	301.7	37.8%	918.0	96.6	10.5%	411.2	97.1	23.6%
General Mills	3,302.0	769.5	23.3%	1,368.2	313.9	22.9%	1,181.6	366.6	31.0%	752.2	89.0	11.8%
Altria (Philip Morris)	29,191.6	6,876.1	23.6%	7,833.3	1,896.8	24.2%	11,757.4	2,454.1	20.9%	9,600.8	2,525.2	26.3%

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (by 3-year tax rate)

\$-millions Company	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
NVR	1,560.8	368.2	23.6%	665.9	139.4	20.9%	514.7	103.7	20.1%	380.3	125.1	32.9%
Yum Brands	1,885.8	445.2	23.6%	673.1	159.5	23.7%	650.8	96.5	14.8%	561.9	189.2	33.7%
Sonic Automotive	437.8	104.1	23.8%	131.6	32.6	24.8%	172.8	40.0	23.1%	133.3	31.5	23.6%
Goldman Sachs	7,218.7	1,718.7	23.8%	3,007.8	594.8	19.8%	1,835.6	444.6	24.2%	2,375.3	679.3	28.6%
Hughes Supply	273.7	65.2	23.8%	94.6	25.5	27.0%	100.0	22.2	22.2%	79.1	17.6	22.2%
Anthem	2,539.1	607.6	23.9%	1,208.6	345.4	28.6%	796.8	161.2	20.2%	533.8	101.1	18.9%
Dollar General	1,192.6	285.9	24.0%	468.4	133.0	28.4%	403.9	53.7	13.3%	320.3	99.2	31.0%
Tech Data	341.3	81.8	24.0%	100.8	17.7	17.5%	136.1	24.3	17.8%	104.4	39.9	38.2%
Citigroup	42,967.5	10,412.5	24.2%	18,204.0	3,785.0	20.8%	12,096.6	3,842.9	31.8%	12,667.0	2,784.6	22.0%
Dell	5,420.0	1,317.0	24.3%	2,113.3	788.0	37.3%	2,019.0	442.0	21.9%	1,287.7	87.0	6.8%
Stryker	717.4	174.5	24.3%	229.2	70.3	30.7%	259.4	61.4	23.7%	228.8	42.8	18.7%
Clorox	1,718.4	418.4	24.3%	706.8	131.8	18.6%	606.1	162.1	26.7%	405.6	124.6	30.7%
McDonald's	2,942.9	716.7	24.4%	1,057.1	160.9	15.2%	924.2	256.3	27.7%	961.6	299.4	31.1%
UPS (United Parcel Service)	12,702.8	3,095.0	24.4%	3,998.9	998.7	25.0%	4,908.3	1,115.0	22.7%	3,795.5	981.2	25.9%
Leggett & Platt	967.5	237.1	24.5%	308.8	65.7	21.3%	355.0	75.1	21.1%	303.7	96.4	31.7%
Graybar Electric	82.6	20.3	24.6%	14.3	-8.2	-57.3%	18.1	6.7	37.1%	50.2	21.8	43.4%
Wells Fargo	23,885.3	5,900.5	24.7%	9,406.0	1,175.6	12.5%	8,691.4	2,468.6	28.4%	5,788.0	2,256.2	39.0%
Smith International	272.7	67.4	24.7%	63.4	15.1	23.8%	38.7	-4.5	-11.5%	170.6	56.7	33.2%
Mellon Financial	2,760.7	682.2	24.7%	699.1	128.3	18.4%	1,401.2	308.6	22.0%	660.4	245.3	37.1%
Emerson	3,205.2	792.9	24.7%	835.8	168.4	20.2%	1,113.5	201.7	18.1%	1,255.8	422.8	33.7%
Borders	519.2	128.8	24.8%	187.1	56.3	30.1%	187.6	40.9	21.8%	144.5	31.6	21.8%
General Dynamics	3,799.8	949.0	25.0%	1,160.0	240.1	20.7%	1,380.5	348.3	25.2%	1,259.3	360.6	28.6%
Starbucks	992.3	248.7	25.1%	411.8	109.9	26.7%	326.0	72.6	22.3%	254.6	66.2	26.0%
Ross Stores	921.1	231.1	25.1%	359.3	84.1	23.4%	317.3	82.1	25.9%	244.6	64.8	26.5%
Oxford Health Plans	1,403.8	358.6	25.5%	561.7	125.6	22.4%	343.0	124.2	36.2%	499.1	108.8	21.8%
Hershey	1,605.8	411.2	25.6%	687.8	197.6	28.7%	582.6	63.1	10.8%	335.3	150.5	44.9%
Kohl's	2,718.6	696.8	25.6%	928.3	223.5	24.1%	1,004.8	262.2	26.1%	785.5	211.1	26.9%
Caesar's Entertainment	430.0	110.6	25.7%	106.1	32.5	30.7%	189.4	48.2	25.4%	134.5	29.9	22.2%
Bear Stearns	3,646.9	938.8	25.7%	1,584.9	420.0	26.5%	1,232.9	237.0	19.2%	829.1	281.8	34.0%
BJ's Wholesale Club	515.4	132.8	25.8%	161.7	32.5	20.1%	229.0	38.0	16.6%	124.8	62.3	49.9%
Morgan Stanley	11,473.8	2,977.0	25.9%	4,237.8	504.6	11.9%	3,174.7	884.8	27.9%	4,061.4	1,587.6	39.1%
Amgen	5,757.0	1,501.4	26.1%	2,164.6	829.6	38.3%	1,974.9	248.9	12.6%	1,617.4	422.9	26.1%
Jefferson-Pilot	2,198.0	574.1	26.1%	738.0	120.5	16.3%	685.0	232.8	34.0%	775.0	220.8	28.5%
Procter & Gamble	12,590.8	3,301.6	26.2%	4,905.8	1,475.6	30.1%	4,177.4	865.7	20.7%	3,507.6	960.3	27.4%
TJX	2,486.2	653.2	26.3%	893.6	233.3	26.1%	802.0	209.1	26.1%	790.6	210.7	26.7%

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (by 3-year tax rate)

Company	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Masco	2,122.3	560.2	26.4%	1,129.9	204.9	18.1%	533.3	218.6	41.0%	459.1	136.7	29.8%
NiSource	1,678.4	445.5	26.5%	635.7	131.6	20.7%	620.4	125.8	20.3%	422.2	188.1	44.6%
Target	7,524.2	2,000.2	26.6%	2,843.8	727.8	25.6%	2,569.5	641.5	25.0%	2,110.9	630.9	29.9%
Harley-Davidson	2,661.5	714.1	26.8%	1,135.0	313.5	27.6%	868.1	230.0	26.5%	658.4	170.6	25.9%
UnitedHealth	6,427.3	1,727.4	26.9%	2,832.4	748.4	26.4%	2,062.0	565.0	27.4%	1,532.9	414.0	27.0%
Fidelity National	2,764.7	745.6	27.0%	1,367.5	382.4	28.0%	832.9	227.1	27.3%	564.4	136.1	24.1%
Jones Apparel	1,414.7	385.9	27.3%	506.0	128.7	25.4%	501.9	159.8	31.8%	406.9	97.3	23.9%
Bank of America	38,573.8	10,541.9	27.3%	15,297.9	4,275.6	27.9%	12,844.4	3,178.4	24.7%	10,431.5	3,087.8	29.6%
U.S. Bancorp	13,473.3	3,685.9	27.4%	5,437.0	1,494.1	27.5%	4,654.0	1,242.1	26.7%	3,382.3	949.7	28.1%
Lowe's	6,682.7	1,832.7	27.4%	2,878.7	810.7	28.2%	2,262.0	566.0	25.0%	1,542.1	456.1	29.6%
Peter Kiewit Sons'	795.0	220.0	27.7%	238.0	62.0	26.1%	288.0	94.0	32.6%	269.0	64.0	23.8%
Mohawk Industries	1,200.0	333.2	27.8%	479.3	125.6	26.2%	441.5	129.4	29.3%	279.3	78.2	28.0%
Black & Decker	500.5	139.0	27.8%	183.5	67.7	36.9%	179.5	53.3	29.7%	137.4	18.0	13.1%
Campbell Soup	2,214.2	617.9	27.9%	739.2	177.1	24.0%	666.5	198.8	29.8%	808.5	242.0	29.9%
Coventry Health Care	743.9	208.8	28.1%	387.1	109.5	28.3%	221.3	58.3	26.4%	135.5	41.0	30.2%
Autozone	1,771.7	497.7	28.1%	803.8	188.8	23.5%	653.5	175.6	26.9%	314.4	133.4	42.4%
Henry Schein	521.5	147.1	28.2%	205.8	51.0	24.8%	178.3	52.6	29.5%	137.4	43.5	31.7%
Exelon	7,193.4	2,037.3	28.3%	2,260.6	558.9	24.7%	2,573.7	615.8	23.9%	2,359.1	862.5	36.6%
Adolph Coors	442.6	125.4	28.3%	134.3	7.7	5.7%	124.9	47.3	37.8%	183.4	70.5	38.5%
Sears	8,809.6	2,505.9	28.4%	5,191.3	1,249.3	24.1%	2,321.2	968.2	41.7%	1,297.0	288.4	22.2%
Home Depot	16,022.8	4,602.8	28.7%	6,137.2	1,500.2	24.4%	5,343.8	1,622.8	30.4%	4,541.9	1,479.9	32.6%
PepsiCo	9,092.1	2,630.2	28.9%	3,223.3	1,044.8	32.4%	3,188.7	835.5	26.2%	2,680.1	749.8	28.0%
Publix	2,767.8	805.3	29.1%	1,016.4	294.5	29.0%	961.3	270.4	28.1%	790.0	240.4	30.4%
Walgreen	4,736.2	1,378.5	29.1%	1,812.8	553.8	30.6%	1,562.1	463.2	29.7%	1,361.2	361.4	26.6%
TXU	2,023.0	589.6	29.1%	906.0	291.0	32.1%	328.9	44.8	13.6%	788.1	253.9	32.2%
Bed Bath & Beyond	1,466.7	432.1	29.5%	637.7	176.5	27.7%	478.3	158.3	33.1%	350.7	97.3	27.8%
Family Dollar Stores	1,004.3	297.8	29.7%	378.0	126.4	33.4%	334.0	96.9	29.0%	292.3	74.5	25.5%
VF Corporation	1,178.6	354.6	30.1%	428.5	130.7	30.5%	400.8	91.1	22.7%	349.3	132.7	38.0%
Automatic Data Processing	4,322.8	1,306.2	30.2%	1,416.4	481.7	34.0%	1,563.7	485.9	31.1%	1,342.7	338.6	25.2%
Progressive	3,428.7	1,037.4	30.3%	1,859.7	499.6	26.9%	981.4	385.6	39.3%	587.6	152.2	25.9%
Johnson & Johnson	18,016.4	5,451.8	30.3%	6,980.1	2,395.6	34.3%	6,260.5	1,612.4	25.8%	4,775.8	1,443.8	30.2%
May Department Stores	2,472.7	749.0	30.3%	579.0	231.0	39.9%	811.6	208.2	25.7%	1,082.1	309.8	28.6%
McGraw Hill	2,336.1	708.8	30.3%	920.8	336.1	36.5%	777.5	191.9	24.7%	637.8	180.9	28.4%
Anheuser-Busch	7,243.7	2,210.2	30.5%	2,601.1	764.4	29.4%	2,436.9	661.8	27.2%	2,205.7	783.9	35.5%
AutoNation	1,606.7	492.0	30.6%	582.0	123.8	21.3%	604.5	182.7	30.2%	420.2	185.6	44.2%

## Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (by 3-year tax rate)

\$-millions Company	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
C.H. Robinson	439.1	135.2	30.8%	170.6	51.7	30.3%	140.8	49.2	34.9%	127.7	34.3	26.9%
Genuine Parts	1,647.9	510.4	31.0%	580.0	162.8	28.1%	480.5	161.6	33.6%	587.3	186.0	31.7%
Pacificare Health Systems	782.9	243.8	31.1%	464.3	150.3	32.4%	218.0	59.2	27.2%	100.6	34.3	34.1%
Whirlpool	1,175.8	367.3	31.2%	447.6	74.4	16.6%	360.8	93.9	26.0%	367.3	199.0	54.2%
Oracle	5,941.7	1,859.7	31.3%	2,056.0	610.0	29.7%	1,844.0	455.0	24.7%	2,041.6	794.6	38.9%
Marathon Oil	3,459.8	1,087.3	31.4%	1,087.0	279.8	25.7%	483.0	105.0	21.7%	1,889.7	702.6	37.2%
Ameren	2,105.1	664.1	31.5%	769.8	275.8	35.8%	590.4	143.4	24.3%	745.0	245.0	32.9%
PPG Industries	1,539.3	486.6	31.6%	469.6	177.8	37.9%	525.7	181.3	34.5%	544.0	127.4	23.4%
American Electric Power	3,165.4	1,014.5	32.0%	915.7	297.0	32.4%	767.6	307.0	40.0%	1,482.1	410.5	27.7%
Radio Shack	1,135.2	364.1	32.1%	438.0	101.3	23.1%	372.8	126.6	34.0%	324.4	136.1	42.0%
Pulte Homes	2,143.5	690.4	32.2%	972.7	311.0	32.0%	697.8	204.1	29.2%	473.0	175.3	37.1%
CarMax	480.7	155.6	32.4%	181.3	60.6	33.4%	158.0	47.6	30.1%	141.4	47.4	33.5%
Merck	12,751.2	4,138.4	32.5%	3,885.6	1,296.4	33.4%	4,254.3	1,481.3	34.8%	4,611.3	1,360.7	29.5%
Wal-Mart	30,915.2	10,053.2	32.5%	11,756.4	3,970.4	33.8%	10,275.5	3,229.5	31.4%	8,883.3	2,853.3	32.1%
Limited Brands	2,586.1	841.2	32.5%	1,068.9	352.7	33.0%	734.1	241.2	32.9%	783.2	247.4	31.6%
Golden West Financial	4,494.5	1,462.6	32.5%	1,713.0	546.1	31.9%	1,506.9	469.7	31.2%	1,274.6	446.7	35.0%
Liz Claiborne	864.4	281.5	32.6%	328.6	95.5	29.1%	290.3	101.2	34.9%	245.4	84.7	34.5%
Best Buy	3,057.7	999.7	32.7%	1,217.1	422.1	34.7%	960.7	347.7	36.2%	879.9	229.9	26.1%
Ryland Group	882.6	288.6	32.7%	381.3	122.9	32.2%	294.4	96.7	32.8%	206.9	68.9	33.3%
Tyson Foods	1,156.9	378.3	32.7%	456.0	155.3	34.1%	518.9	173.0	33.3%	182.1	50.0	27.5%
Federated Department Stores	2,710.4	886.4	32.7%	1,033.0	254.0	24.6%	956.7	382.7	40.0%	720.7	249.7	34.6%
Nike	1,467.5	480.9	32.8%	572.6	146.3	25.5%	413.4	155.7	37.7%	481.6	178.9	37.2%
MBNA	8,811.9	2,888.4	32.8%	3,357.8	1,031.4	30.7%	2,729.9	893.5	32.7%	2,724.2	963.5	35.4%
United Stationers	316.7	104.7	33.1%	118.0	38.6	32.7%	83.8	27.4	32.7%	114.9	38.7	33.7%
Nordstrom	766.7	253.4	33.1%	382.6	118.6	31.0%	185.7	76.8	41.3%	198.4	58.1	29.3%
Hormel	835.8	277.1	33.2%	277.0	95.3	34.4%	284.0	89.4	31.5%	274.8	92.4	33.6%
Costco	2,535.0	852.6	33.6%	872.6	285.1	32.7%	887.4	309.0	34.8%	775.0	258.5	33.4%
Charles Schwab	1,352.8	458.6	33.9%	622.5	188.5	30.3%	348.7	88.7	25.4%	381.6	181.4	47.5%
Wellpoint Health	3,217.4	1,095.1	34.0%	1,461.9	515.2	35.2%	1,097.2	371.0	33.8%	658.3	208.8	31.7%
CVS	3,224.6	1,112.9	34.5%	1,275.2	418.8	32.8%	1,046.6	344.6	32.9%	902.8	349.5	38.7%
<b>ALL 275 COMPANIES</b>	<b>\$ 1,057,038</b>	<b>\$ 194,799</b>	<b>18.4%</b>	<b>\$ 399,274</b>	<b>\$ 68,749</b>	<b>17.2%</b>	<b>\$ 339,903</b>	<b>\$ 58,185</b>	<b>17.1%</b>	<b>\$ 317,861</b>	<b>\$ 67,866</b>	<b>21.4%</b>

### Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (alphabetical)

\$-millions Company	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Abbott Laboratories	6,613.4	1,533.4	23.2%	2,296.0	553.6	24.1%	2,661.0	404.2	15.2%	1,656.4	575.6	34.8%
Adolph Coors	442.6	125.4	28.3%	134.3	7.7	5.7%	124.9	47.3	37.8%	183.4	70.5	38.5%
Advance Auto Parts	322.0	12.0	3.7%	198.4	17.2	8.7%	92.4	-17.7	-19.2%	31.2	12.5	40.1%
Affiliated Computer Services	1,036.6	147.0	14.2%	475.4	58.1	12.2%	347.5	56.0	16.1%	213.7	32.9	15.4%
AFLAC	778.3	76.0	9.8%	99.3	27.0	27.2%	355.3	25.0	7.0%	323.7	24.0	7.4%
Allied Waste Industries	683.4	29.5	4.3%	151.5	12.7	8.4%	274.2	-0.3	-0.1%	257.7	17.1	6.7%
Allstate	6,396.0	607.1	9.5%	3,571.0	530.2	14.8%	1,540.0	-13.8	-0.9%	1,285.0	90.7	7.1%
Alltel	4,501.3	890.5	19.8%	1,488.0	245.7	16.5%	1,361.7	167.2	12.3%	1,651.6	477.7	28.9%
Altria (Philip Morris)	29,191.6	6,876.1	23.6%	7,833.3	1,896.8	24.2%	11,757.4	2,454.1	20.9%	9,600.8	2,525.2	26.3%
Ameren	2,105.1	664.1	31.5%	769.8	275.8	35.8%	590.4	143.4	24.3%	745.0	245.0	32.9%
American Axle & Manufacturing	705.8	74.9	10.6%	283.2	54.3	19.2%	261.8	14.1	5.4%	160.8	6.4	4.0%
American Electric Power	3,165.4	1,014.5	32.0%	915.7	297.0	32.4%	767.6	307.0	40.0%	1,482.1	410.5	27.7%
American Express	7,281.9	1,007.7	13.8%	3,222.1	557.5	17.3%	2,692.9	589.9	21.9%	1,366.9	-139.7	-10.2%
American Financial Group	571.5	105.1	18.4%	294.0	43.0	14.6%	179.6	17.5	9.7%	97.9	44.6	45.6%
American Standard Companies	1,605.3	153.9	9.6%	544.8	37.7	6.9%	551.3	43.0	7.8%	509.2	73.2	14.4%
AmerisourceBergen	1,460.1	275.4	18.9%	705.2	126.4	17.9%	550.7	114.5	20.8%	204.3	34.4	16.9%
Amgen	5,757.0	1,501.4	26.1%	2,164.6	829.6	38.3%	1,974.9	248.9	12.6%	1,617.4	422.9	26.1%
Anadarko Petroleum	2,179.5	77.6	3.6%	1,355.2	65.2	4.8%	698.4	-14.6	-2.1%	125.9	27.0	21.5%
Anheuser-Busch	7,243.7	2,210.2	30.5%	2,601.1	764.4	29.4%	2,436.9	661.8	27.2%	2,205.7	783.9	35.5%
Anthem	2,539.1	607.6	23.9%	1,208.6	345.4	28.6%	796.8	161.2	20.2%	533.8	101.1	18.9%
Apache	1,807.0	57.3	3.2%	919.5	21.4	2.3%	286.7	19.1	6.6%	600.9	16.9	2.8%
Aramark	951.4	149.5	15.7%	367.0	43.5	11.9%	356.2	53.3	15.0%	228.2	52.7	23.1%
Archer Daniels Midland	1,018.9	231.7	22.7%	355.6	13.5	3.8%	428.4	169.7	39.6%	234.9	48.6	20.7%
AT&T	13,453.5	136.7	1.0%	2,723.0	-343.2	-12.6%	2,905.0	-1,046.2	-36.0%	7,825.5	1,526.1	19.5%
Autoliv	171.9	37.5	21.8%	48.4	18.1	37.4%	64.8	19.4	30.0%	58.7	-0.0	-0.0%
Automatic Data Processing	4,322.8	1,306.2	30.2%	1,416.4	481.7	34.0%	1,563.7	485.9	31.1%	1,342.7	338.6	25.2%
AutoNation	1,606.7	492.0	30.6%	582.0	123.8	21.3%	604.5	182.7	30.2%	420.2	185.6	44.2%
Autozone	1,771.7	497.7	28.1%	803.8	188.8	23.5%	653.5	175.6	26.9%	314.4	133.4	42.4%
Avery Dennison	514.4	118.3	23.0%	144.2	45.8	31.8%	193.2	33.0	17.1%	177.0	39.5	22.3%
Avon	746.4	146.5	19.6%	301.9	39.3	13.0%	276.2	52.2	18.9%	168.2	54.9	32.7%
Ball	522.2	57.8	11.1%	181.2	29.1	16.1%	220.4	33.9	15.4%	120.5	-5.3	-4.4%
Bank of America	38,573.8	10,541.9	27.3%	15,297.9	4,275.6	27.9%	12,844.4	3,178.4	24.7%	10,431.5	3,087.8	29.6%
Bank of New York	4,795.6	172.9	3.6%	1,616.8	56.8	3.5%	1,405.5	145.1	10.3%	1,773.3	-29.0	-1.6%
Baxter	1,885.3	-123.1	-6.5%	817.6	-142.4	-17.4%	607.5	74.6	12.3%	460.2	-55.4	-12.0%
BB&T	4,646.5	353.1	7.6%	1,423.4	4.6	0.3%	1,748.5	179.2	10.3%	1,474.5	169.2	11.5%

### Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (alphabetical)

\$-millions	Three-Year Totals			2003			2002			2001		
	Company	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax
Bear Stearns	3,646.9	938.8	25.7%	1,584.9	420.0	26.5%	1,232.9	237.0	19.2%	829.1	281.8	34.0%
Becton Dickinson	1,007.5	119.9	11.9%	327.7	82.6	25.2%	330.0	17.2	5.2%	349.7	20.1	5.8%
Bed Bath & Beyond	1,466.7	432.1	29.5%	637.7	176.5	27.7%	478.3	158.3	33.1%	350.7	97.3	27.8%
BellSouth	12,663.3	2,799.7	22.1%	5,088.9	1,003.8	19.7%	3,988.5	460.9	11.6%	3,585.8	1,335.0	37.2%
Best Buy	3,057.7	999.7	32.7%	1,217.1	422.1	34.7%	960.7	347.7	36.2%	879.9	229.9	26.1%
BJ's Wholesale Club	515.4	132.8	25.8%	161.7	32.5	20.1%	229.0	38.0	16.6%	124.8	62.3	49.9%
Black & Decker	500.5	139.0	27.8%	183.5	67.7	36.9%	179.5	53.3	29.7%	137.4	18.0	13.1%
Boeing	5,687.6	-1,067.1	-18.8%	1,069.1	-1,699.8	-159.0%	2,208.7	229.2	10.4%	2,409.8	403.5	16.7%
Borders	519.2	128.8	24.8%	187.1	56.3	30.1%	187.6	40.9	21.8%	144.5	31.6	21.8%
Boston Scientific	701.8	12.9	1.8%	285.5	31.6	11.1%	376.2	-37.2	-9.9%	40.1	18.4	45.9%
Brinker International	684.0	103.6	15.1%	245.3	25.4	10.4%	225.6	31.7	14.0%	213.1	46.5	21.8%
Brunswick	413.4	50.7	12.3%	152.5	38.5	25.2%	154.9	26.7	17.3%	106.0	-14.5	-13.7%
Burlington Northern Santa Fe	3,605.2	113.2	3.1%	1,226.2	-17.8	-1.5%	1,214.0	16.0	1.3%	1,164.9	114.9	9.9%
Burlington Resources	1,963.9	136.9	7.0%	974.7	80.4	8.3%	537.1	36.5	6.8%	452.1	19.9	4.4%
C.H. Robinson	439.1	135.2	30.8%	170.6	51.7	30.3%	140.8	49.2	34.9%	127.7	34.3	26.9%
Caesar's Entertainment	430.0	110.6	25.7%	106.1	32.5	30.7%	189.4	48.2	25.4%	134.5	29.9	22.2%
Campbell Soup	2,214.2	617.9	27.9%	739.2	177.1	24.0%	666.5	198.8	29.8%	808.5	242.0	29.9%
Cardinal Health	4,374.8	751.0	17.2%	1,742.5	387.5	22.2%	1,482.1	226.2	15.3%	1,150.1	137.2	11.9%
Caremark RX	988.8	-61.1	-6.2%	474.5	-13.3	-2.8%	319.7	-52.0	-16.3%	194.7	4.1	2.1%
CarMax	480.7	155.6	32.4%	181.3	60.6	33.4%	158.0	47.6	30.1%	141.4	47.4	33.5%
Caterpillar	1,562.6	56.6	3.6%	485.4	-6.4	-1.3%	344.6	-74.6	-21.6%	732.6	137.6	18.8%
CDW	842.8	152.6	18.1%	274.7	61.2	22.3%	297.3	43.9	14.8%	270.8	47.4	17.5%
Cendant	3,616.2	52.9	1.5%	1,794.3	111.3	6.2%	1,220.3	-57.7	-4.7%	601.6	-0.8	-0.1%
CenterPoint Energy	2,025.3	-47.1	-2.3%	659.8	-288.0	-43.7%	558.4	-113.0	-20.2%	807.2	353.9	43.8%
Charles Schwab	1,352.8	458.6	33.9%	622.5	188.5	30.3%	348.7	88.7	25.4%	381.6	181.4	47.5%
Cinergy	1,830.6	171.3	9.4%	557.6	28.1	5.0%	564.9	13.8	2.4%	708.1	129.4	18.3%
Citigroup	42,967.5	10,412.5	24.2%	18,204.0	3,785.0	20.8%	12,096.6	3,842.9	31.8%	12,667.0	2,784.6	22.0%
Clorox	1,718.4	418.4	24.3%	706.8	131.8	18.6%	606.1	162.1	26.7%	405.6	124.6	30.7%
Coca-Cola Company	6,166.6	1,366.8	22.2%	1,946.9	416.9	21.4%	1,948.0	445.9	22.9%	2,271.7	504.0	22.2%
Colgate-Palmolive	1,590.3	195.3	12.3%	587.7	108.6	18.5%	535.9	63.0	11.8%	466.7	23.7	5.1%
Comerica	2,968.8	686.5	23.1%	889.6	198.3	22.3%	960.3	196.6	20.5%	1,118.8	291.7	26.1%
Computer Sciences	1,290.5	-30.6	-2.4%	558.3	-8.3	-1.5%	408.1	-15.7	-3.8%	324.2	-6.7	-2.1%
ConAgra	3,271.7	688.3	21.0%	1,122.5	172.9	15.4%	1,125.2	234.5	20.8%	1,023.9	280.8	27.4%
ConocoPhillips	7,905.7	782.5	9.9%	3,961.7	515.7	13.0%	855.3	48.5	5.7%	3,088.7	218.3	7.1%
Consolidated Edison	3,050.9	329.9	10.8%	852.3	-119.6	-14.0%	1,094.3	78.4	7.2%	1,104.2	371.1	33.6%

### Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (alphabetical)

\$-millions	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Constellation Energy	1,615.9	324.4	20.1%	711.6	133.9	18.8%	811.0	145.0	17.9%	93.3	45.5	48.8%
Costco	2,535.0	852.6	33.6%	872.6	285.1	32.7%	887.4	309.0	34.8%	775.0	258.5	33.4%
Countrywide Financial	5,743.2	1,312.3	22.9%	3,683.7	910.2	24.7%	1,299.4	244.4	18.8%	760.0	157.7	20.8%
Coventry Health Care	743.9	208.8	28.1%	387.1	109.5	28.3%	221.3	58.3	26.4%	135.5	41.0	30.2%
CSX	1,187.5	-89.4	-7.5%	179.3	-69.5	-38.8%	631.5	47.8	7.6%	376.8	-67.6	-17.9%
CVS	3,224.6	1,112.9	34.5%	1,275.2	418.8	32.8%	1,046.6	344.6	32.9%	902.8	349.5	38.7%
Danaher	1,502.3	20.2	1.3%	553.1	-22.7	-4.1%	483.7	-23.4	-4.8%	465.5	66.3	14.2%
Darden Restaurants	972.4	188.7	19.4%	336.9	54.6	16.2%	349.7	67.4	19.3%	285.8	66.6	23.3%
Dean Foods	1,178.8	99.5	8.4%	546.3	33.8	6.2%	411.6	36.1	8.8%	220.9	29.6	13.4%
Dell	5,420.0	1,317.0	24.3%	2,113.3	788.0	37.3%	2,019.0	442.0	21.9%	1,287.7	87.0	6.8%
Devon Energy	2,437.6	73.5	3.0%	1,605.2	99.4	6.2%	344.0	-39.0	-11.3%	488.4	13.1	2.7%
Dillard's	357.5	82.4	23.0%	20.2	-5.5	-27.0%	202.7	43.0	21.2%	134.6	44.8	33.3%
Disney, Walt	6,013.2	752.6	12.5%	1,763.9	-59.1	-3.4%	1,737.5	130.4	7.5%	2,511.9	681.3	27.1%
Dollar General	1,192.6	285.9	24.0%	468.4	133.0	28.4%	403.9	53.7	13.3%	320.3	99.2	31.0%
Dominion Resources	4,479.3	140.1	3.1%	1,514.4	109.4	7.2%	1,998.6	-63.4	-3.2%	966.3	94.1	9.7%
Dover	642.4	30.3	4.7%	235.1	2.2	1.0%	212.4	3.0	1.4%	195.0	25.0	12.8%
DTE Energy Company	1,077.6	241.2	22.4%	357.0	74.5	20.9%	502.0	158.2	31.5%	218.6	8.5	3.9%
Eaton	927.7	180.9	19.5%	310.0	86.0	27.7%	288.3	111.9	38.8%	329.4	-17.0	-5.2%
Ecolab	748.2	147.6	19.7%	269.8	48.8	18.1%	245.1	24.7	10.1%	233.3	74.1	31.8%
Eli Lilly	5,331.0	651.9	12.2%	1,620.1	341.6	21.1%	1,784.3	81.9	4.6%	1,926.7	228.4	11.9%
Emcor	228.1	40.8	17.9%	50.2	2.3	4.7%	101.1	33.4	33.0%	76.7	5.1	6.7%
Emerson	3,205.2	792.9	24.7%	835.8	168.4	20.2%	1,113.5	201.7	18.1%	1,255.8	422.8	33.7%
Energy East	1,051.8	182.3	17.3%	353.5	7.0	2.0%	294.3	42.2	14.3%	404.1	133.1	32.9%
Engelhard	581.1	25.0	4.3%	175.3	12.3	7.0%	213.8	18.2	8.5%	192.0	-5.4	-2.8%
Entergy	3,270.4	43.7	1.3%	561.5	-757.9	-135.0%	1,587.5	489.3	30.8%	1,121.4	312.4	27.9%
Estee Lauder	580.4	130.5	22.5%	185.0	28.3	15.3%	114.1	35.9	31.5%	281.3	66.3	23.6%
Exelon	7,193.4	2,037.3	28.3%	2,260.6	558.9	24.7%	2,573.7	615.8	23.9%	2,359.1	862.5	36.6%
ExxonMobil	21,387.9	3,217.8	15.0%	9,106.2	1,378.5	15.1%	4,221.7	223.6	5.3%	8,060.0	1,615.7	20.0%
Family Dollar Stores	1,004.3	297.8	29.7%	378.0	126.4	33.4%	334.0	96.9	29.0%	292.3	74.5	25.5%
Federated Department Stores	2,710.4	886.4	32.7%	1,033.0	254.0	24.6%	956.7	382.7	40.0%	720.7	249.7	34.6%
FedEx	2,994.7	604.0	20.2%	1,203.7	87.5	7.3%	1,008.7	231.8	23.0%	782.3	284.7	36.4%
Fidelity National	2,764.7	745.6	27.0%	1,367.5	382.4	28.0%	832.9	227.1	27.3%	564.4	136.1	24.1%
Fifth Third	6,685.8	1,152.5	17.2%	2,594.2	468.2	18.0%	2,415.5	439.5	18.2%	1,676.1	244.8	14.6%
First Data	4,460.2	673.2	15.1%	1,717.1	257.0	15.0%	1,549.2	226.0	14.6%	1,193.9	190.2	15.9%
Fisher Scientific International	126.0	-7.5	-5.9%	35.0	6.6	18.8%	84.9	-6.9	-8.1%	6.2	-7.2	-116.5%

### Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (alphabetical)

\$-millions Company	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Fluor	263.2	-24.3	-9.2%	106.6	0.7	0.7%	110.6	4.1	3.7%	45.9	-29.1	-63.3%
Foot Locker	443.9	66.0	14.9%	171.8	46.3	27.0%	152.1	14.3	9.4%	120.0	5.3	4.5%
FPL Group	3,348.3	179.5	5.4%	1,282.1	-181.3	-14.1%	961.1	-70.3	-7.3%	1,105.2	431.1	39.0%
Gannett	4,748.3	995.9	21.0%	1,680.5	422.0	25.1%	1,678.6	348.0	20.7%	1,389.2	225.9	16.3%
General Dynamics	3,799.8	949.0	25.0%	1,160.0	240.1	20.7%	1,380.5	348.3	25.2%	1,259.3	360.6	28.6%
General Electric	36,809.1	3,402.3	9.2%	10,826.0	1,244.3	11.5%	11,998.5	-33.3	-0.3%	13,984.6	2,191.4	15.7%
General Mills	3,302.0	769.5	23.3%	1,368.2	313.9	22.9%	1,181.6	366.6	31.0%	752.2	89.0	11.8%
Genuine Parts	1,647.9	510.4	31.0%	580.0	162.8	28.1%	480.5	161.6	33.6%	587.3	186.0	31.7%
Gillette	2,127.3	495.4	23.3%	798.2	301.7	37.8%	918.0	96.6	10.5%	411.2	97.1	23.6%
Golden West Financial	4,494.5	1,462.6	32.5%	1,713.0	546.1	31.9%	1,506.9	469.7	31.2%	1,274.6	446.7	35.0%
Goldman Sachs	7,218.7	1,718.7	23.8%	3,007.8	594.8	19.8%	1,835.6	444.6	24.2%	2,375.3	679.3	28.6%
Goodrich	595.9	67.1	11.3%	91.2	26.8	29.4%	252.9	5.1	2.0%	251.8	35.2	14.0%
Graybar Electric	82.6	20.3	24.6%	14.3	-8.2	-57.3%	18.1	6.7	37.1%	50.2	21.8	43.4%
Harley-Davidson	2,661.5	714.1	26.8%	1,135.0	313.5	27.6%	868.1	230.0	26.5%	658.4	170.6	25.9%
Harrah's Entertainment	1,343.2	241.8	18.0%	470.0	116.1	24.7%	514.5	125.2	24.3%	358.7	0.5	0.2%
HCA	4,996.4	801.9	16.1%	2,096.7	167.4	8.0%	1,393.8	394.2	28.3%	1,505.9	240.4	16.0%
Health Net	964.3	219.0	22.7%	487.4	152.9	31.4%	340.6	67.0	19.7%	136.3	-1.0	-0.7%
Henry Schein	521.5	147.1	28.2%	205.8	51.0	24.8%	178.3	52.6	29.5%	137.4	43.5	31.7%
Hershey	1,605.8	411.2	25.6%	687.8	197.6	28.7%	582.6	63.1	10.8%	335.3	150.5	44.9%
Home Depot	16,022.8	4,602.8	28.7%	6,137.2	1,500.2	24.4%	5,343.8	1,622.8	30.4%	4,541.9	1,479.9	32.6%
Hormel	835.8	277.1	33.2%	277.0	95.3	34.4%	284.0	89.4	31.5%	274.8	92.4	33.6%
Hughes Supply	273.7	65.2	23.8%	94.6	25.5	27.0%	100.0	22.2	22.2%	79.1	17.6	22.2%
Humana	695.0	49.9	7.2%	333.6	56.5	16.9%	187.5	-7.0	-3.7%	173.8	0.3	0.2%
IBM	13,935.3	260.3	1.9%	4,599.9	66.9	1.5%	3,677.5	174.5	4.7%	5,657.8	18.8	0.3%
Ikon Office Solutions	494.6	2.6	0.5%	145.6	-11.2	-7.7%	198.3	6.9	3.5%	150.7	6.9	4.6%
Illinois Tool Works	3,165.2	679.7	21.5%	1,043.1	152.3	14.6%	1,163.2	311.7	26.8%	958.9	215.7	22.5%
Ingram Micro	87.0	-13.8	-15.9%	9.0	-0.5	-6.0%	34.2	7.5	21.8%	43.8	-20.7	-47.3%
Intel	9,895.2	1,491.3	15.1%	6,178.5	629.4	10.2%	2,224.9	318.7	14.3%	1,491.8	543.3	36.4%
ITT Industries	820.5	-182.6	-22.3%	282.9	-66.1	-23.4%	293.6	-81.2	-27.7%	244.0	-35.3	-14.5%
Jacobs Engineering Group	358.2	81.8	22.8%	135.9	27.3	20.1%	124.2	28.6	23.1%	98.1	25.8	26.3%
Jefferson-Pilot	2,198.0	574.1	26.1%	738.0	120.5	16.3%	685.0	232.8	34.0%	775.0	220.8	28.5%
John Hancock	2,431.0	154.1	6.3%	1,157.6	150.4	13.0%	517.8	42.3	8.2%	755.6	-38.6	-5.1%
Johnson & Johnson	18,016.4	5,451.8	30.3%	6,980.1	2,395.6	34.3%	6,260.5	1,612.4	25.8%	4,775.8	1,443.8	30.2%
Johnson Controls	2,423.1	506.1	20.9%	949.8	151.2	15.9%	835.4	231.2	27.7%	638.0	123.7	19.4%
Jones Apparel	1,414.7	385.9	27.3%	506.0	128.7	25.4%	501.9	159.8	31.8%	406.9	97.3	23.9%

### Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (alphabetical)

\$-millions Company	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
JPMorgan Chase	10,885.3	-119.6	-1.1%	6,420.5	937.4	14.6%	2,514.6	-1,397.9	-55.6%	1,950.3	340.9	17.5%
Kellogg's	1,980.0	398.9	20.1%	760.1	136.0	17.9%	743.8	146.9	19.8%	476.1	116.0	24.4%
Kelly Services	95.4	5.4	5.7%	18.4	-2.3	-12.6%	40.3	1.0	2.4%	36.6	6.8	18.5%
KeyCorp	3,243.3	585.1	18.0%	1,139.0	229.2	20.1%	1,026.4	143.3	14.0%	1,077.8	212.6	19.7%
KeySpan	1,861.8	-30.6	-1.6%	718.4	-89.8	-12.5%	647.6	-19.1	-3.0%	495.9	78.3	15.8%
Kimberly-Clark	5,043.5	920.9	18.3%	1,611.1	324.4	20.1%	1,740.0	247.2	14.2%	1,692.4	349.3	20.6%
Kinder Morgan	1,389.0	219.6	15.8%	603.7	162.7	26.9%	425.5	61.1	14.4%	359.8	-4.2	-1.2%
Kohl's	2,718.6	696.8	25.6%	928.3	223.5	24.1%	1,004.8	262.2	26.1%	785.5	211.1	26.9%
Kroger	4,722.8	782.3	16.6%	1,160.0	159.6	13.8%	1,815.7	251.7	13.9%	1,747.1	371.0	21.2%
L-3 Communications	896.1	49.9	5.6%	393.8	29.3	7.4%	296.5	15.8	5.3%	205.8	4.9	2.4%
Leggett & Platt	967.5	237.1	24.5%	308.8	65.7	21.3%	355.0	75.1	21.1%	303.7	96.4	31.7%
Lehman Brothers	4,420.7	81.9	1.9%	1,824.9	-39.1	-2.1%	845.0	84.0	9.9%	1,750.7	37.0	2.1%
Lexmark	742.4	38.5	5.2%	306.9	-2.5	-0.8%	256.3	37.8	14.8%	179.2	3.2	1.8%
Limited Brands	2,586.1	841.2	32.5%	1,068.9	352.7	33.0%	734.1	241.2	32.9%	783.2	247.4	31.6%
Liz Claiborne	864.4	281.5	32.6%	328.6	95.5	29.1%	290.3	101.2	34.9%	245.4	84.7	34.5%
Lowe's	6,682.7	1,832.7	27.4%	2,878.7	810.7	28.2%	2,262.0	566.0	25.0%	1,542.1	456.1	29.6%
Manpower	113.2	4.9	4.3%	51.7	-2.9	-5.7%	26.5	-1.7	-6.6%	35.0	9.6	27.3%
Marathon Oil	3,459.8	1,087.3	31.4%	1,087.0	279.8	25.7%	483.0	105.0	21.7%	1,889.7	702.6	37.2%
Marriott International	1,141.6	21.3	1.9%	383.5	-38.1	-9.9%	338.2	50.4	14.9%	419.9	9.0	2.1%
Masco	2,122.3	560.2	26.4%	1,129.9	204.9	18.1%	533.3	218.6	41.0%	459.1	136.7	29.8%
May Department Stores	2,472.7	749.0	30.3%	579.0	231.0	39.9%	811.6	208.2	25.7%	1,082.1	309.8	28.6%
Maytag	668.2	59.3	8.9%	185.7	2.5	1.3%	291.6	19.7	6.8%	190.9	37.1	19.4%
MBNA	8,811.9	2,888.4	32.8%	3,357.8	1,031.4	30.7%	2,729.9	893.5	32.7%	2,724.2	963.5	35.4%
McDonald's	2,942.9	716.7	24.4%	1,057.1	160.9	15.2%	924.2	256.3	27.7%	961.6	299.4	31.1%
McGraw Hill	2,336.1	708.8	30.3%	920.8	336.1	36.5%	777.5	191.9	24.7%	637.8	180.9	28.4%
McKesson	1,816.8	299.6	16.5%	680.0	143.8	21.1%	656.0	105.1	16.0%	480.8	50.7	10.5%
Medtronic	3,711.9	686.1	18.5%	1,283.1	270.1	21.0%	1,381.9	189.5	13.7%	1,046.9	226.5	21.6%
Mellon Financial	2,760.7	682.2	24.7%	699.1	128.3	18.4%	1,401.2	308.6	22.0%	660.4	245.3	37.1%
Merck	12,751.2	4,138.4	32.5%	3,885.6	1,296.4	33.4%	4,254.3	1,481.3	34.8%	4,611.3	1,360.7	29.5%
Merrill Lynch	8,893.2	1,147.0	12.9%	3,592.1	510.4	14.2%	1,982.4	339.9	17.1%	3,318.7	296.7	8.9%
Metlife	6,797.5	1,099.0	16.2%	1,786.3	363.0	20.3%	2,085.0	803.0	38.5%	2,926.2	-67.0	-2.3%
MGM Mirage	1,040.1	118.6	11.4%	343.2	60.0	17.5%	430.9	34.8	8.1%	266.0	23.9	9.0%
Microsoft	29,455.0	5,710.0	19.4%	11,346.0	2,485.0	21.9%	8,920.0	2,048.0	23.0%	9,189.0	1,177.0	12.8%
Mohawk Industries	1,200.0	333.2	27.8%	479.3	125.6	26.2%	441.5	129.4	29.3%	279.3	78.2	28.0%
Morgan Stanley	11,473.8	2,977.0	25.9%	4,237.8	504.6	11.9%	3,174.7	884.8	27.9%	4,061.4	1,587.6	39.1%

### Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (alphabetical)

\$-millions Company	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Nash Finch	137.9	19.5	14.1%	51.7	2.8	5.3%	49.0	6.4	13.1%	37.3	10.3	27.7%
Nationwide	1,219.5	213.8	17.5%	517.8	133.1	25.7%	133.5	54.5	40.8%	568.2	26.1	4.6%
NCR	708.0	-41.0	-5.8%	102.6	-39.0	-38.0%	290.9	-2.0	-0.7%	314.6	-0.0	-0.0%
New York Times	1,295.2	301.1	23.3%	475.9	108.1	22.7%	494.8	81.0	16.4%	324.4	112.1	34.5%
Newell Rubbermaid	1,119.7	130.3	11.6%	248.7	-13.6	-5.5%	491.5	53.4	10.9%	379.5	90.5	23.9%
Nike	1,467.5	480.9	32.8%	572.6	146.3	25.5%	413.4	155.7	37.7%	481.6	178.9	37.2%
NiSource	1,678.4	445.5	26.5%	635.7	131.6	20.7%	620.4	125.8	20.3%	422.2	188.1	44.6%
Nordstrom	766.7	253.4	33.1%	382.6	118.6	31.0%	185.7	76.8	41.3%	198.4	58.1	29.3%
Norfolk Southern	1,806.6	210.6	11.7%	575.3	30.3	5.3%	700.0	56.0	8.0%	531.2	124.2	23.4%
Nucor	502.0	43.9	8.7%	78.7	-58.9	-74.9%	247.4	53.2	21.5%	175.9	49.5	28.2%
NVR	1,560.8	368.2	23.6%	665.9	139.4	20.9%	514.7	103.7	20.1%	380.3	125.1	32.9%
OGE Energy	485.0	-0.9	-0.2%	215.4	-35.8	-16.6%	126.2	12.5	9.9%	143.4	22.4	15.6%
Old Republic International	1,744.8	370.5	21.2%	680.0	167.6	24.7%	560.9	101.1	18.0%	503.9	101.7	20.2%
Omnicare	633.2	131.5	20.8%	299.6	54.1	18.0%	199.9	55.4	27.7%	133.7	22.1	16.5%
Omnicom	1,991.3	414.6	20.8%	690.5	130.3	18.9%	667.6	142.7	21.4%	633.2	141.7	22.4%
Oracle	5,941.7	1,859.7	31.3%	2,056.0	610.0	29.7%	1,844.0	455.0	24.7%	2,041.6	794.6	38.9%
Oxford Health Plans	1,403.8	358.6	25.5%	561.7	125.6	22.4%	343.0	124.2	36.2%	499.1	108.8	21.8%
Pacificare Health Systems	782.9	243.8	31.1%	464.3	150.3	32.4%	218.0	59.2	27.2%	100.6	34.3	34.1%
Parker Hannifin	819.9	155.2	18.9%	159.9	28.3	17.7%	199.7	32.7	16.4%	460.3	94.2	20.5%
Pepco Holdings	725.2	-432.3	-59.6%	137.5	-126.5	-92.0%	351.8	-305.0	-86.7%	235.9	-0.8	-0.3%
Pepsi Bottling	1,554.5	189.0	12.2%	562.2	85.0	15.1%	581.8	19.0	3.3%	410.5	85.0	20.7%
PepsiAmericas	710.1	103.4	14.6%	233.9	54.8	23.4%	226.9	16.2	7.1%	249.3	32.4	13.0%
PepsiCo	9,092.1	2,630.2	28.9%	3,223.3	1,044.8	32.4%	3,188.7	835.5	26.2%	2,680.1	749.8	28.0%
Performance Food Group	293.5	61.4	20.9%	115.5	18.5	16.0%	101.5	28.2	27.8%	76.5	14.7	19.2%
Peter Kiewit Sons'	795.0	220.0	27.7%	238.0	62.0	26.1%	288.0	94.0	32.6%	269.0	64.0	23.8%
Pfizer	14,517.4	1,191.7	8.2%	6,087.7	-167.8	-2.8%	4,324.4	1,206.2	27.9%	4,105.3	153.3	3.7%
Pitney Bowes	1,823.1	-56.1	-3.1%	623.2	-43.9	-7.0%	485.1	-156.1	-32.2%	714.8	143.9	20.1%
PNC	4,012.5	519.5	12.9%	1,521.0	279.0	18.3%	1,923.0	78.6	4.1%	568.5	161.9	28.5%
PPG Industries	1,539.3	486.6	31.6%	469.6	177.8	37.9%	525.7	181.3	34.5%	544.0	127.4	23.4%
PPL	1,810.1	329.9	18.2%	812.7	22.6	2.8%	425.5	40.8	9.6%	571.9	266.5	46.6%
Praxair	644.0	46.6	7.2%	212.8	19.2	9.0%	222.3	6.0	2.7%	208.8	21.5	10.3%
Principal Group	2,024.7	-259.2	-12.8%	924.0	-11.2	-1.2%	623.8	-101.6	-16.3%	477.0	-146.4	-30.7%
Procter & Gamble	12,590.8	3,301.6	26.2%	4,905.8	1,475.6	30.1%	4,177.4	865.7	20.7%	3,507.6	960.3	27.4%
Progressive	3,428.7	1,037.4	30.3%	1,859.7	499.6	26.9%	981.4	385.6	39.3%	587.6	152.2	25.9%
Prudential Financial	2,263.6	-1,045.7	-46.2%	1,826.6	100.4	5.5%	100.9	-125.1	-124.0%	336.1	-1,021.0	-303.7%

### Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (alphabetical)

\$-millions Company	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Public Service Enterprise Group	3,057.6	216.3	7.1%	1,369.2	-207.8	-15.2%	611.1	174.0	28.5%	1,077.3	250.1	23.2%
Publix	2,767.8	805.3	29.1%	1,016.4	294.5	29.0%	961.3	270.4	28.1%	790.0	240.4	30.4%
Pulte Homes	2,143.5	690.4	32.2%	972.7	311.0	32.0%	697.8	204.1	29.2%	473.0	175.3	37.1%
Quest Diagnostics	1,538.6	306.7	19.9%	691.3	189.5	27.4%	526.7	69.0	13.1%	320.6	48.2	15.0%
Radio Shack	1,135.2	364.1	32.1%	438.0	101.3	23.1%	372.8	126.6	34.0%	324.4	136.1	42.0%
Raytheon	2,526.7	239.9	9.5%	750.8	130.0	17.3%	1,418.2	27.0	1.9%	357.7	82.9	23.2%
Reebok	58.7	-5.4	-9.1%	32.5	-4.5	-13.7%	23.7	3.8	15.9%	2.6	-4.7	-183.4%
Regions	2,599.5	599.8	23.1%	914.8	219.6	24.0%	878.1	203.9	23.2%	806.6	176.4	21.9%
Reliant Resources	1,140.2	180.5	15.8%	138.1	-14.3	-10.4%	202.2	-59.7	-29.5%	799.9	254.5	31.8%
Rockwell Automation	438.6	6.1	1.4%	212.8	12.6	5.9%	113.3	-8.0	-7.0%	112.5	1.4	1.3%
Ross Stores	921.1	231.1	25.1%	359.3	84.1	23.4%	317.3	82.1	25.9%	244.6	64.8	26.5%
Ryder	318.5	-9.9	-3.1%	148.8	-4.0	-2.7%	120.7	-5.3	-4.4%	49.0	-0.6	-1.1%
Ryland Group	882.6	288.6	32.7%	381.3	122.9	32.2%	294.4	96.7	32.8%	206.9	68.9	33.3%
Saks	271.4	-5.9	-2.2%	107.8	-2.8	-2.6%	155.4	-0.4	-0.3%	8.1	-2.7	-32.8%
Sara Lee	3,058.1	215.7	7.1%	1,068.2	219.7	20.6%	734.1	16.2	2.2%	1,255.8	-20.3	-1.6%
SBC Communications	30,321.1	1,580.0	5.2%	8,941.1	-475.9	-5.3%	10,350.8	343.4	3.3%	11,029.2	1,712.4	15.5%
Sears	8,809.6	2,505.9	28.4%	5,191.3	1,249.3	24.1%	2,321.2	968.2	41.7%	1,297.0	288.4	22.2%
Sempra Energy	1,680.5	321.5	19.1%	535.3	91.5	17.1%	554.1	194.5	35.1%	591.1	35.5	6.0%
Shaw Group	275.8	-6.1	-2.2%	14.6	-0.0	-0.3%	137.4	-0.6	-0.4%	123.7	-5.5	-4.5%
Sherwin-Williams	1,397.6	305.2	21.8%	508.1	98.0	19.3%	481.3	113.5	23.6%	408.1	93.6	22.9%
Smith International	272.7	67.4	24.7%	63.4	15.1	23.8%	38.7	-4.5	-11.5%	170.6	56.7	33.2%
Sonic Automotive	437.8	104.1	23.8%	131.6	32.6	24.8%	172.8	40.0	23.1%	133.3	31.5	23.6%
Southern	5,409.8	839.7	15.5%	2,048.8	104.8	5.1%	1,785.7	264.7	14.8%	1,575.4	470.3	29.9%
Southwest Airlines	1,930.1	42.2	2.2%	705.1	39.1	5.5%	398.3	-50.9	-12.8%	826.7	54.0	6.5%
SPX	1,271.2	46.1	3.6%	389.5	54.7	14.0%	478.4	-12.9	-2.7%	403.3	4.3	1.1%
Starbucks	992.3	248.7	25.1%	411.8	109.9	26.7%	326.0	72.6	22.3%	254.6	66.2	26.0%
State Street	3,163.7	189.7	6.0%	885.2	42.2	4.8%	1,373.4	120.0	8.7%	905.0	27.5	3.0%
Stryker	717.4	174.5	24.3%	229.2	70.3	30.7%	259.4	61.4	23.7%	228.8	42.8	18.7%
Suntrust	5,803.6	1,309.0	22.6%	1,906.2	376.6	19.8%	1,902.9	356.8	18.8%	1,994.5	575.6	28.9%
Supervalu	1,155.0	227.6	19.7%	448.3	109.8	24.5%	357.9	68.5	19.1%	348.8	49.3	14.1%
Sysco	3,272.9	427.7	13.1%	1,263.6	—	—	1,085.7	125.0	11.5%	923.6	302.6	32.8%
Target	7,524.2	2,000.2	26.6%	2,843.8	727.8	25.6%	2,569.5	641.5	25.0%	2,110.9	630.9	29.9%
Tech Data	341.3	81.8	24.0%	100.8	17.7	17.5%	136.1	24.3	17.8%	104.4	39.9	38.2%
Textron	1,549.1	231.4	14.9%	231.2	34.0	14.7%	450.4	51.4	11.4%	867.5	146.0	16.8%
3M	4,834.2	658.6	13.6%	1,759.7	350.4	19.9%	1,655.6	-20.7	-1.2%	1,418.8	328.9	23.2%

### Effective Federal Corporate Income Tax Rates on 275 Major Corporations, 2001–2003 (alphabetical)

\$-millions Company	Three-Year Totals			2003			2002			2001		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Time Warner	6,228.7	-457.3	-7.3%	4,223.8	-140.0	-3.3%	1,346.6	29.8	2.2%	658.3	-347.1	-52.7%
Timken	265.5	-14.2	-5.4%	51.6	-0.9	-1.8%	175.5	5.2	3.0%	38.5	-18.5	-48.1%
TJX	2,486.2	653.2	26.3%	893.6	233.3	26.1%	802.0	209.1	26.1%	790.6	210.7	26.7%
Toys "R" Us	571.2	46.8	8.2%	146.7	-16.0	-10.9%	227.2	4.0	1.8%	197.3	58.8	29.8%
Triad Hospitals	501.6	-15.4	-3.1%	168.9	12.2	7.2%	236.1	-18.0	-7.6%	96.6	-9.6	-9.9%
Tribune Company	2,723.1	544.6	20.0%	1,411.1	221.9	15.7%	921.3	185.1	20.1%	390.7	137.5	35.2%
TXU	2,023.0	589.6	29.1%	906.0	291.0	32.1%	328.9	44.8	13.6%	788.1	253.9	32.2%
Tyson Foods	1,156.9	378.3	32.7%	456.0	155.3	34.1%	518.9	173.0	33.3%	182.1	50.0	27.5%
U.S. Bancorp	13,473.3	3,685.9	27.4%	5,437.0	1,494.1	27.5%	4,654.0	1,242.1	26.7%	3,382.3	949.7	28.1%
Union Pacific	5,022.0	217.5	4.3%	1,606.5	47.9	3.0%	1,940.9	57.2	2.9%	1,474.6	112.5	7.6%
Unisys	333.7	-53.4	-16.0%	150.6	-38.6	-25.6%	102.7	-9.4	-9.1%	80.4	-5.4	-6.7%
United Auto Group	271.4	48.1	17.7%	111.2	14.9	13.4%	82.7	17.3	20.9%	77.5	16.0	20.6%
United Stationers	316.7	104.7	33.1%	118.0	38.6	32.7%	83.8	27.4	32.7%	114.9	38.7	33.7%
United Technologies	5,155.5	54.7	1.1%	1,502.6	33.2	2.2%	1,892.8	78.8	4.2%	1,760.1	-57.3	-3.3%
UnitedHealth	6,427.3	1,727.4	26.9%	2,832.4	748.4	26.4%	2,062.0	565.0	27.4%	1,532.9	414.0	27.0%
UPS (United Parcel Service)	12,702.8	3,095.0	24.4%	3,998.9	998.7	25.0%	4,908.3	1,115.0	22.7%	3,795.5	981.2	25.9%
Valero Energy	1,570.2	-4.3	-0.3%	634.1	-41.0	-6.5%	44.9	-16.3	-36.3%	891.2	53.1	6.0%
Verizon	12,264.2	58.5	0.5%	4,290.4	77.1	1.8%	5,642.4	-685.0	-12.1%	2,331.5	666.5	28.6%
VF Corporation	1,178.6	354.6	30.1%	428.5	130.7	30.5%	400.8	91.1	22.7%	349.3	132.7	38.0%
Viacom	9,523.1	1,520.8	16.0%	4,007.2	744.2	18.6%	3,028.6	366.0	12.1%	2,487.4	410.5	16.5%
Wachovia	12,846.0	1,237.0	9.6%	5,343.1	918.0	17.2%	4,054.5	-164.0	-4.0%	3,448.4	483.0	14.0%
Walgreen	4,736.2	1,378.5	29.1%	1,812.8	553.8	30.6%	1,562.1	463.2	29.7%	1,361.2	361.4	26.6%
Wal-Mart	30,915.2	10,053.2	32.5%	11,756.4	3,970.4	33.8%	10,275.5	3,229.5	31.4%	8,883.3	2,853.3	32.1%
Waste Management	3,111.8	175.4	5.6%	1,106.5	4.6	0.4%	1,241.2	89.2	7.2%	764.1	81.6	10.7%
Wellpoint Health	3,217.4	1,095.1	34.0%	1,461.9	515.2	35.2%	1,097.2	371.0	33.8%	658.3	208.8	31.7%
Wells Fargo	23,885.3	5,900.5	24.7%	9,406.0	1,175.6	12.5%	8,691.4	2,468.6	28.4%	5,788.0	2,256.2	39.0%
Wesco International	81.2	-11.7	-14.5%	30.8	1.2	4.0%	19.0	-13.9	-73.5%	31.4	0.9	3.0%
Weyerhaeuser	1,508.1	154.0	10.2%	485.1	70.6	14.5%	353.6	15.2	4.3%	669.4	68.2	10.2%
Whirlpool	1,175.8	367.3	31.2%	447.6	74.4	16.6%	360.8	93.9	26.0%	367.3	199.0	54.2%
Yum Brands	1,885.8	445.2	23.6%	673.1	159.5	23.7%	650.8	96.5	14.8%	561.9	189.2	33.7%
<b>ALL INDUSTRIES</b>	<b>\$ 1,057,038</b>	<b>\$ 194,799</b>	<b>18.4%</b>	<b>\$ 399,274</b>	<b>\$ 68,749</b>	<b>17.2%</b>	<b>\$ 339,903</b>	<b>\$ 58,185</b>	<b>17.1%</b>	<b>\$ 317,861</b>	<b>\$ 67,866</b>	<b>21.4%</b>

## Company-by-Company Notes

**Abbott:** Tax havens in Puerto Rico, Costa Rica, the Netherlands, the Dominican Republic and Ireland combined to reduce worldwide taxes in 2003, 2002 and 2001 by \$275 million, \$191 million and \$340 million. It is also worth noting the company sheltered passive income (capital gains from investment securities) from federal income taxes by shifting investments to a Puerto Rico subsidiary. Investments held by the company's Puerto Rico subsidiary were 2 percent, 48 percent and 46 percent of total investments in 2003, 2002 and 2001. Dividends not deemed taxable lowered taxes in 2003, 2002 and 2001 by \$164 million, \$187 million and \$94 million. The high tax rate in 2001 is linked to in-process R&D expenses absorbed in the acquisition of BASF's pharmaceutical business, which for accounting purposes were immediately deducted and for tax purposes were delayed. In 2003, the company recorded a \$622 million charge to settle lawsuits pertaining to unfair and inappropriate sales practices at its Ross subsidiary. \$395 million of the settlement was not deductible for taxes purposes. The study divided restructuring charges that were recorded in 2001 and 2002 geographically and allocated their current effect to U.S. pretax profits, which reduced profits in 2003 and 2002 and increased them in 2001. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$70 million, \$47 million and \$30 million.

**Adolph Coors:** The company deferred most of its taxes in 2003 through accelerated depreciation and other means. Reported total federal and state tax benefits from stock options were \$3 million and \$4 million in 2002 and 2001.

**Advance Auto Parts:** The company has been increasing its reserves for restructuring activity and store closings annually since 2000. The study allocated the charges to 2003, 2002 and 2001 based on their current effect in those years, which reduced U.S. pretax profits in 2003 and 2002 and increased U.S. pretax profits in 2001. Reported federal and state tax benefits from stock options were \$7 million and \$8 million in 2003 and 2002.

**Affiliated Computer Services:** The company's fiscal years end in June of the years listed. In computing U.S. pretax profits, the study estimated the company's foreign pretax profits based on reported current foreign taxes disclosed. Reported federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$16 million, \$22 million and \$21 million reported. Accelerated depreciation tax savings represented most of the company's deferred taxes between 2001 and 2003.

**AFLAC:** No distinction was made by the company between federal and state taxes, so all taxes were treated as federal in the study. The company deferred 78 percent of its federal tax liability in 2002 and 2001 despite paying AMT of \$45 million and \$4 million.

**Allied Waste Industries:** The company's operations are primarily based in the United States and for the study's purpose it is assumed that all reported profits were domestic. The company booked acquisition charges between 1999 and 2001 after it acquired Brown-Ferris, Inc. ("BFI") in 1999. Not all of the charges recorded were utilized in their respective year of announcement.

The study adjusted pretax profits between 2001 and 2003 for the actual expensing of reserves established to integrate the acquisition of BFI. The acquisition of BFI included \$6.8 billion in goodwill, of which \$6.5 billion had no tax effect. Consequently, the study adjusted pretax profits in 2001 by \$175 million for nondeductible amortization of goodwill. The company paid AMT in 2001 and 2003 of \$1 million per year but used AMT credit carryforwards to reduce its 2002 tax bill by \$4 million. At the end of 2003, the company had available \$9 million in AMT tax credits and \$631 million in NOL carryforwards to reduce future taxes. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$2 million; \$279,000 and \$1 million.

**Allstate:** The company did not distinguish between federal and state income taxes, so all taxes were treated as federal. Many of the company's gains on investments, like municipal bonds, are untaxed and these gains represented the company's largest source of tax savings between 2001 and 2003. Tax-exempt income saved the company \$350 million, \$331 million and \$320 million in taxes in 2003, 2002 and 2001. Calculated federal tax benefits from stock options lowered taxes in 2003, 2002 and 2001 by \$22 million, \$6 million and \$8 million.

**Alltel:** The study divided reported pretax profits geographically based on U.S. percentage of worldwide sales. Adjustments were made to pretax profits between 2001 and 2003 for actual expensing of integration and restructuring charges that dated back to 2000. Nondeductible goodwill amortization in 2001 was \$79 million, which was added back to reported profits for this study. Reported federal and state tax benefits from stock options were \$5 million, \$3 million and \$7 million in 2003, 2002 and 2001. Accelerated depreciation (including capitalized software expenses) saved the company \$106 million, \$192 million and \$97 million in 2003, 2002 and 2001. Investment tax credits reduced taxes in 2001 by \$400,000.

**Altria (Philip Morris):** Nondeductible goodwill amortization was added back to U.S. reported pretax profits in 2001. Accelerated depreciation saved the company \$117 million and \$16 million in 2003 and 2002, following a tax turnaround (that is a cost) in 2001. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$89 million, \$216 million and \$238 million.

**Ameren:** In computing U.S. pretax profits for 2002 and 2001, the study added to "income before cumulative effect of change in accounting principle" (a) income taxes in operating income and (b) income taxes/credits in "other income." (a) and (b) were both disclosed on the company's 2002 income statement. Reported total current income taxes were adjusted in order to separate federal and state taxes. Investment tax credits lowered taxes in 2003, 2002 and 2001 by \$11 million, \$9 million and \$8 million.

**American Axle & Manufacturing:** Accelerated depreciation saved the company \$33 million, \$51 million and \$51 million in 2003, 2002 and 2001 or 54 percent of the company's tax bill over the three-year period. Calculated total federal and state tax benefits

from stock options were \$26 million, \$21 million and \$1 million in 2003, 2002 and 2001. Federal tax credits reduced taxes in 2003, 2002 and 2001 by \$2 million, \$5 million and \$3 million.

**American Electric Power:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported current foreign taxes. Since 2002, the company has been taking charges for non-cash asset write-offs and unrealized investment losses. These charges were \$720 million and \$629 million in 2003 and 2002, of which \$66 million and \$11 million were not tax-deductible; that small portion was added back to U.S. pretax profits. Investment tax credits lowered taxes in 2003, 2002 and 2001 by \$37 million, \$35 million and \$35 million. Section 29 alternative fuel tax credits lowered taxes in 2003 and 2002 by \$15 million and \$14 million.

**American Express:** The company's tax disclosure was limited. In order to calculate the effective tax rates, the study made some minor adjustments to federal and state taxes (as disclosed) to separate deferred from current taxes. Restructuring charges that were booked in 2001 but not fully utilized were divided geographically and their current effect allocated to reduce reported profits in 2003 and 2002 and increase profits in 2001. Tax-exempt investment and dividend income saved the company \$291 million, \$271 million and \$274 million in 2003, 2002 and 2001. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$30 million, \$36 million and \$52 million in 2003, 2002 and 2001.

**American Financial Group:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported current foreign income taxes. U.S. pretax profits were adjusted for nondeductible goodwill amortization or write-offs, which increased U.S. profits in 2003, 2002 and 2001. In 2002, a settlement with the IRS cut the company's taxes by \$31 million. The high rate in 2001 reflects insurance claims recorded on the books but not yet deductible for tax purposes. Tax credits in 2001 were \$1 million.

**American Standard Companies:** As reported by the company, current taxes include federal and state portions. The study separated state taxes from federal taxes. Nondeductible goodwill amortization in 2001 was \$36 million, which was added back to reported profits. In 2003, the company benefited from a settlement with the IRS and Germany's taxing authority, which enabled the company to reduce its worldwide taxes by \$27 million. The company's low tax rates between 2001 and 2003 primarily reflect deferred taxes. In all years, accelerated depreciation was the most common source of tax savings. In 2002 the company used tax benefits that in past weren't deductible to lower its tax bill. Calculated total federal and state tax benefits from stock options were \$13 million, \$16 million and \$41 million in 2003, 2002 and 2001.

**AmerisourceBergen:** The company's fiscal years end in September of the years listed. The company is the product of the merger between Amerisource Health Corporation and Bergen Brunswick Corporation in 2001. Since the merger in 2001, the company has taken charges annually to close existing plants and lay-off employees. Not all of these charges were completed in the years they were announced. Pretax profits between 2001 and 2003 were

adjusted for the current effect of these charges, which reduced reported U.S. profits in 2003 and increased them in 2002 and 2001. Reported federal and state tax benefits from stock options were \$14 million, \$43 million and \$14 million in 2003, 2002 and 2001. Inventory valuation was a major source of tax deferrals in 2003 and 2001. Utilization of NOL and tax credit carryforwards lowered taxes in 2002 by \$43 million. At year end 2003, the company had \$70 million in NOL and tax credit carryforwards available to reduce future taxes.

**Amgen:** In computing U.S. pretax profits for 2001, the study estimated the company's foreign pretax profits based on current foreign taxes disclosed. The company acquired Immunex Corporation in 2001 and charged \$3 billion against income for in-process R&D costs. None of these costs were deductible for tax purposes and were added back to profits in 2002. The high tax rate in 2003 reflects a turnaround in deferred taxes related to the amortization of goodwill related to the Immunex acquisition. Reported federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$113 million, \$252 million and \$245 million.

**Anadarko Petroleum:** Despite AMT payments of \$5 million and \$10 million in 2003 and 2002, the company's tax rates between 2001 and 2003 were rather low. The company deferred most of its 2003 taxes and all of its 2001 taxes. Accelerated depreciation of equipment was the most likely factor behind deferred taxes in 2003, but 2002 is less clear because most of the deferred taxes in that year were included with "Other" deferred tax liabilities. Utilization of general business credit carryforwards lowered 2003 taxes by \$38 million. Oil and gas tax credits cut taxes in 2003, 2002 and 2001 by \$17 million, \$15 million and \$22 million. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$1 million, \$8 million and \$6 million. Nondeductible goodwill amortization in 2001 was \$63 million, which was added back to reported U.S. profits.

**Anheuser-Busch:** The company's operations are divided into five segments: Domestic Beer, Packaging, Entertaining, International Beer and Other. The first three segments and the Other segment are exclusively domestic. The study took this into consideration when calculating U.S. pretax profits. The company experienced a turnaround in deferred taxes related to accelerated depreciation in 2001, when the company reported negative deferred taxes. Accelerated depreciation in the subsequent years, 2003 and 2002, saved the company \$105 million and \$53 million. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$49 million, \$86 million and \$32 million.

**Anthem:** Nondeductible goodwill amortization in 2001 was \$17 million, which was added back to reported U.S. pretax profits. AMT of \$50 million in 2001 was later offset by the utilization of AMT tax credit carryforwards of \$73 million and \$13 million in 2003 and 2002. At year end 2003, the company had \$47 million in AMT credit carryforwards to reduce future taxes. Utilization of NOL carryforwards reduced taxes in 2003, 2002 and 2001 by \$18 million, \$20 million and \$108 million. At year end 2003, the balance of NOL carryforwards was \$28 million. Calculated total federal and state tax benefits from stock options were \$24 million and \$15 million in 2003 and 2002.

**Apache:** The company paid \$1 million in AMT in 2001 and lowered its taxes in 2003 and 2002 by \$5 million and \$1 million by using AMT credit carryforwards. Accelerated depreciation produced tax savings of \$765 million, \$164 million and \$306 million in 2003, 2002 and 2001. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$19 million, \$8 million and \$3 million.

**Aramark:** Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$46 million, \$54 million and \$17 million. Tax credits in the same three years lowered taxes by \$13 million, \$7 million and \$6 million.

**Archer Daniels Midland:** The company's fiscal years end in June of the years listed. The specifics of the negative deferred taxes reported for 2002 are not disclosed.

**AT&T:** The company drastically reshaped its operations between 2001 and 2003. During the period the company successfully avoided a significant portion of its taxes, resulting in reported tax refunds in 2003 and 2002. It is not entirely clear how the company did so, but it appears the company used "Reserve and Allowances" deductions that in the past were deferred and generated accelerated depreciation tax savings, including those from its leasing business. R&D credits lowered taxes in 2003, 2002 and 2001 by \$42 million, \$51 million and \$12 million. Investment tax credits were \$18 million, \$16 million and \$16 million in 2003, 2002 and 2001. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$22 million, \$6 million and \$1 million.

**Autoliv:** Nondeductible goodwill amortization was added back to reported U.S. pretax profits in 2001. It is not clear how the company deferred all of its taxes in 2001 as the company has attributed the bulk of the deferred taxes to "Other" deferred tax liabilities in its notes.

**Automatic Data Processing:** The company's fiscal years end in June of the years listed. Calculated total federal and state tax benefits from stock options were \$18 million, \$69 million and \$122 million in 2003, 2002 and 2001. At year end 2003, the company had \$103 million in federal NOL carryforwards available to reduce future taxes.

**AutoNation:** Nondeductible amortization of goodwill was added back to reported U.S. pretax profits in 2003, 2002 and 2001. Accelerated depreciation represented roughly half and all of the deferred taxes reported in 2002 and 2001. The high tax rate in 2001 reflects reported negative deferred taxes, stemming primarily from turnarounds in taxes previously deferred. Reported federal and state tax benefits from stock options in 2002 and 2001 were \$10 million and \$1 million.

**Autozone:** The company's fiscal years end in August of the years listed. The tax rate was high in 2001 because the company paid additional taxes due to a turnaround of deferred taxes related to accelerated depreciation and certain expenses booked were not yet tax deductible. The study allocated a 2001 restructuring charge to 2003, 2002 and 2001 based on its current effect in those years, which reduced reported profits in 2003 and 2002 and increased reported profits in 2001. Reported federal and state tax

benefits from stock options were \$37 million, \$42 million and \$13 million in 2003, 2002 and 2001.

**Avery Dennison:** Tax credits in 2003, 2002 and 2001 were \$5 million, \$7 million and \$6 million. Calculated total federal and state tax benefits from stock options in the same three years were \$3 million, \$12 million and \$10 million. In 2002, the company was able to lower its taxes with tax benefits that in the past were deferred for tax purposes. In 2001, accelerated depreciation saved the company \$18 million.

**Avon:** Reported total federal and state tax benefits from stock options reduced federal and state taxes by \$30 million, \$11 million and \$8 million in 2003, 2002 and 2001.

**Ball:** The company did not pay any taxes in 2001. In that year, the company recorded a significant \$238 million charge to restructure manufacturing plants in China. According to the company, the impact of this foreign charge on U.S. taxes was a \$27 million reduction (possibly deferred). The 2001 tax rebate reflects accelerated depreciation tax savings of \$10 million. In 2003 and 2002, accelerated depreciation generated tax savings of \$41 million and \$88 million. In spite of recent IRS enforcement, the company reported it continued to benefit from deducting interest expenses on borrowing from its life-insurance policies which resulted in tax reductions of \$5 million, \$3 million and \$3 million in 2003, 2002 and 2001. R&D credits were \$2 million, \$1 million and \$1 million in 2003, 2002 and 2001. Reported total federal and state stock option tax benefits in 2003 and 2002 were \$8 million and \$16 million.

**Bank of America:** In computing U.S. pretax profits, the study adjusted reported U.S. pretax profits for the current effect of charges booked for anticipated future bad debts, which reduced reported profits in 2003 and 2002 and increased profits in 2001, and nondeductible amortization of goodwill in 2003 and 2001, which increased reported profits in both years. Affordable-housing tax credits lowered taxes by \$212 million, \$222 million and \$146 million in 2003, 2002 and 2001. Favorable settlements with the IRS cut taxes in 2003 and 2002 by \$84 million and \$488 million. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$443 million, \$251 million and \$80 million.

**Bank of New York:** In computing U.S. pretax profits, the study adjusted reported U.S. pretax profits for the current effect of charges booked for anticipated future bad debts, which reduced reported profits in 2003 and 2001 and increased profits in 2002. Section 29 alternative fuel tax credits lowered taxes in 2003, 2002 and 2001 by \$21 million, \$54 million and \$25 million. Calculated total federal and state tax benefits from stock options were \$10 million, \$18 million and \$50 million.

**Baxter:** Since 2001 the company has annually recorded extraordinary charges. In 2003, it was for layoffs and plant closings. In 2002, it was for restructuring the company's R&D operations. In 2001, there was a litigation charge. None of these charges were utilized entirely in their respective year of announcement. The study adjusted pretax profits for the current effect of these charges, which increased reported profits in 2003 and 2001 and reduced them in 2002. The acquisitions of ESI Lederie and Fusion

Medical Technologies in 2002 and Cook Pharmaceutical Solutions in 2001 triggered book charges for in-process R&D expense of \$170 million and \$250 million, of which \$103 million and \$177 million were not tax-deductible. The study added back these nondeductible items to profits in 2002 and 2001. The company reported tax rebates for 2003 and 2001, but the sources aren't entirely clear. The company paid AMT of \$18 million in 2003, but in the prior years AMT credits lowered taxes by \$1 million and \$7 million in 2002 and 2001. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$5 million, \$33 million and \$51 million. The company benefitted from IRS settlements of \$59 million and \$8 million in 2003 and 2002.

**BB&T:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported current foreign income taxes. U.S. pretax profits was adjusted for the current effect of charges booked for anticipated future bad debts between 2001 and 2003 and nondeductible goodwill amortization in 2001. All of the adjustment resulted in increases to calculated profits. Over the three-year period, the company's leasing business was the most consistent source of tax benefits, saving the company \$163 million, \$173 million and \$184 million in 2003, 2002 and 2001. When some of its U.S. leases reach termination the company transfers the assets to a foreign subsidiary in a lower-tax country. The assets are then re-leased. Such transactions lowered the company's worldwide taxes in 2002 and 2001 by \$20 million and \$43 million (there was no disclosure for 2003). In 2003, the company accelerated repayment of borrowing from the Federal Home Loan Bank. The recognition of the related fees on these prepayments are recognized earlier for tax purposes than book purposes and resulted in tax savings of \$195 million. Tax-exempt income, including income from corporate-owned life insurance, reflected tax savings of \$68 million, \$68 million and \$63 million in 2003, 2002 and 2001. Reported total federal and state stock option tax benefits reduced taxes by \$13 million, \$16 million and \$20 million in 2003, 2002 and 2001.

**Bear Stearns:** The company's fiscal years end in November of the years listed. Reported total federal and state tax benefits from stock options lowered taxes in 2003, 2002 and 2001 by \$247 million, \$128 million and \$143 million. Federal tax credits in the same years were \$5 million, \$33 million and \$30 million.

**Becton Dickinson:** The company's fiscal years end in September of the years listed. Charges were booked in 2002 and 2000 for future layoffs. The charges were divided geographically and their current effect allocated to reduce reported profits in 2003 and 2002 and increase profits in 2001. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$25 million, \$19 million and \$35 million. The company's Puerto Rico operations combined with other foreign tax-exempt countries and foreign tax credits reduced its taxes in 2003, 2002 and 2001 by \$60 million, \$58 million and \$47 million. R&D, empowerment zone, extraterritorial and foreign sales corporation tax credits collectively lowered taxes in the same years by \$21 million, \$14 million and \$17 million.

**Bed Bath & Beyond:** The company's fiscal years end in February following the years listed in the study. Reported total federal and

state tax benefits from stock options in 2003, 2002 and 2001 were \$65 million, \$31 million and \$32 million.

**BellSouth:** In 2001 a restructuring charge was booked primarily for future layoffs. The charge was allocated to pretax profits to reflect the actual expensing of the related reserve, which reduced reported profits in 2003 and 2002 and increased profits in 2001. In 2003 and 2002, the company deferred most of its taxes via accelerated depreciation and the use of tax benefits deferred in the past. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$22 million, \$40 million and \$127 million.

**Best Buy:** The company's fiscal years end in March following the years listed. Accelerated depreciation lowered taxes by \$4 million, \$5 million and \$52 million in 2003, 2002 and 2001. Negative deferred taxes reported for 2003 and 2002 stem from increases in tax benefits not yet deductible. Reported federal and state tax benefits from stock options were \$41 million, \$33 million and \$86 million in 2003, 2002 and 2001.

**BJ's Wholesale Club:** The company's fiscal years end in January following the years listed. In 2001, the company recorded a loss related to House2Home Inc., which went bankrupt. The loss was recorded for lease payments the company was still obligated to pay on behalf of House2Home, Inc. For tax purposes, the loss is not recognized until the lease payments are paid and thus the company recorded deferred tax benefits at year end 2001. The study adjusted reported pretax profits in 2003, 2002 and 2001 to reflect the timing of the actual lease payments, which reduced reported U.S. pretax profits in 2003 and 2002 and increased them in 2001. Reported federal and state tax benefits from stock options were \$1 million, \$3 million and \$18 million in 2003, 2002 and 2001.

**Black & Decker:** The company does not distinguish between state and federal taxes (and all taxes were treated as federal in the study). It is not clear how the company generated negative deferred taxes in 2003, which influenced the high tax rate in that year. Restructuring charges have been regular since 2000. The study divided these charges geographically and allocated their current effects to 2003, 2002 and 2001, which reduced reported profits in 2003 and 2002 and increased them in 2001. Nondeductible goodwill amortization was \$23 million in 2001, which was added back to reported profits. Reported federal tax benefits from stock options were \$1 million, \$5 million and \$9 million in 2003, 2002 and 2001.

**Boeing:** The company recorded a non-cash impairment charge in 2003 of \$913 million, of which \$653 million was non-tax-deductible. The nondeductible portion was added back to reported U.S. pretax profits, as was nondeductible goodwill amortization in 2001. Settlements with the IRS involving disputed research credits (some dating back to the Reagan administration) lowered the company's taxes by at least \$456 million in 2003 and by \$343 million in 2001. (The company also received large interest payments in connection with these refunds, which were included in profits.) Those refunds may reflect a controversial ruling by the Bush Treasury in 2001, which retroactively expanded the definition of qualifying "research." (See Robert S. McIntyre, "Merry Christmas to the Tax Abusers," *The American Prospect*, Jan. 1, 2002,

www.prospect.org/print/V13/1/mcintyre-r.html.) Leasing activities generated tax savings in 2003 and 2001 of \$753 million and \$164 million. R&D credits lowered taxes in 2003, 2002 and 2001 by \$37 million, \$28 million and \$40 million. Reported federal and state tax benefits from stock options were \$1 million, \$32 million and \$61 million in 2003, 2002 and 2001.

**Borders:** The company's fiscal years end in January following the years listed. In 2002, deferred tax benefits from pre-2000 asset impairment charges were used to reduce the company's taxes. In 2001, accelerated depreciation and inventory valuations generated tax savings of \$13 million. Reported total federal and state tax benefits from stock options lowered taxes in 2003, 2002 and 2001 by \$6 million, \$5 million and \$6 million.

**Boston Scientific:** The company booked acquired in-process R&D expenses of \$37 million, \$85 million and \$282 million in 2003, 2002 and 2001 following numerous acquisitions it made during the period. None of these charges were deductible for tax purposes and the study adjusted reported U.S. pretax profits accordingly, which increased reported profits in 2003, 2002 and 2001. Restructuring charges were booked in 2002 and 2000 for future plant closings and layoffs. The study divided the charges geographically and allocated them to the year's spent, thus reducing reported U.S. pretax profits in 2003, 2002 and 2001. The study shifted \$15 million in tax refunds the company received as a settlement of tax disputes involving years prior to the study from 2002 to 2001 to reduce anomalies. This adjustment had no effect on the company's three-year tax rate. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$154 million, \$28 million and \$8 million. The largest factors affecting reported deferred taxes in 2002 were tax savings from accelerated amortization, early recognition of legal settlements for book purposes and early recognition of earnings from subsidiaries for book purposes.

**Brinker International:** The company's fiscal years end in June of the years listed. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$14 million, \$19 million and \$19 million. According to the company, it was able to cut taxes in 2003, 2002 and 2001 by \$13 million, \$9 million and \$7 million with "FICA tax credits." Accelerated depreciation saved the company \$38 million in 2003.

**Brunswick:** The current effect of restructuring charges booked before 2001 were allocated to reduce U.S. pretax profits in 2003, 2002 and 2001. The company reported a tax refund in 2001, which was generated by the use of deferred tax expenses related to the divestiture of the company's Recreation division in 2000. In 2003, accelerated depreciation saved the company \$38 million. In 2002, the company attributed most of its deferred taxes to "Other" deferred tax liabilities. R&D credits in 2003, 2002 and 2001 were \$5 million per year. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$2 million, \$4 million and \$1 million.

**Burlington Northern Santa Fe:** Since 1995, special charges have been recorded to overhaul the company's operations. The study did not adjust for those charges due to inadequate disclosure. Over the three-year period between 2001 and 2003, the company deferred most of its tax obligation and reported a tax rebate in

2003. Accelerated depreciation lowered the company's taxes in 2003, 2002 and 2001 by \$448 million, \$447 million and \$289—a 96 percent reduction. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$7 million, \$6 million and \$17 million.

**Burlington Resources:** Accelerated depreciation was the company's largest tax subsidy, saving the company \$343 million and \$1 billion in 2003 and 2001. The company paid \$2 million in AMT in 2001 and used AMT credit carryforwards to lower its tax bill by \$30 million and \$40 million in 2003 and 2002. Section 29 alternative fuel tax credits in 2003, 2002 and 2001 were \$24 million, \$1 million and \$27 million. The company deducted the same financing expenses on both its U.S. and Canadian income tax returns. This "U.S.-Canadian cross border financing agreement" saved the company \$97 million, \$86 million and \$20 million in 2003, 2002 and 2001. Calculated total federal and state tax benefits from stock options were \$4 million, \$1 million and \$5 million.

**C.H. Robinson:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported current foreign income taxes. Reported total federal and state tax benefits from stock options and deferred compensation plans were \$3 million, \$1 million and \$867,000 in 2003, 2002 and 2001.

**Caesar's Entertainment:** In computing U.S. pretax profits, the study subtracted from worldwide pretax profits (a) equity in earnings of unconsolidated affiliates (100 percent foreign income) in all three years and (b) an investment gain (100 percent foreign) in 2002 to arrive at U.S. pretax profits. Nondeductible goodwill amortization was added back to calculated U.S. pretax profits in 2001. Reported total federal and state tax benefits from stock options were \$3 million, \$1 million and \$5 million in 2003, 2002 and 2001.

**Campbell Soup:** The company's fiscal years end in July of the years listed. Calculated total federal and state tax benefits from stock options were \$1 million, \$3 million and \$14 million in 2003, 2002 and 2001.

**Cardinal Health:** The company's fiscal years end in June of the years listed. Over the three-year period, the company would record charges following numerous acquisitions it made. Not all of the charges were used up in their respective year of announcement, and the study adjusted pretax profits between 2001 and 2003 for the current effect of those charges, which reduced reported U.S. profits in 2003 and increased them in 2002 and 2001. During the three-year period, the company deferred a little over a third of its tax obligations through tax savings from inventory and accelerated depreciation. Federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$66 million, \$74 million and \$159 million.

**Caremark RX:** Even without reported total federal and state tax benefits from stock options, which were \$22 million and \$63 million in 2003 and 2002, the company's tax rates still would have been low. The company utilized NOL carryforwards to reduce its taxes in 2003, 2002 and 2001 by \$116 million, \$324 million and \$22 million in 2003, 2002 and 2001. The company paid AMT in 2003, 2002 and 2001 of \$6 million, \$1 million and \$2 million.

**CarMax:** The company's fiscal years end in February following the years listed. The company spun-off of Circuit City Stores Inc. in 2002 in a tax-free transaction. \$7 million of the separation costs recorded related to the spin-off was not deductible for tax purposes, which was added back to reported U.S. pretax profits in 2002. Reported total federal and state tax benefits from stock options in 2003 were \$6 million.

**Caterpillar:** The tax refund in 2003 was after calculated total federal and state tax benefits from stock options of \$37 million. Those benefits in 2002 and 2001 were each \$15 million. (Even without the effect of stock options, the company still would have reported a tax refund in 2002.) Over the three-year period, accelerated depreciation was the largest source of tax reduction, representing tax savings of \$135 million, \$101 million and \$97 million in 2003, 2002 and 2001.

**CDW:** Reported total federal and state tax benefits from stock options were \$36 million, \$70 million and \$58 million in 2003, 2002 and 2001.

**Cendant:** Despite paying AMT of \$53 million, \$8 million and \$51 million in 2003, 2002 and 2001, the company barely paid any taxes over the three-year period. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$106 million, \$25 million and \$59 million. Even without, the tax effect of stock options the company still would have reported a tax rebate for 2002. In 2002 and 2001, the company was able to significantly lower its tax burden by using deferred tax benefits related to a litigation settlement reached in 1999 over alleged accounting irregularities. In 2003, the company used NOL and capital loss carryforwards to lower its taxes by \$243 million and \$70 million.

**Centerpoint Energy:** There are no financial reports for the company prior to 2002, that was when the company was still a subsidiary of Reliant Energy (which is now Reliant Resources). In 2003 and 2002, the company reported tax rebates generated by tax savings from regulatory assets and accelerated depreciation. There was a turnaround in deferred taxes in 2001, which increased taxes and was reflected in reported negative deferred taxes, but the source is unknown. Calculated total federal and state tax benefits from stock options were \$16 million in 2001.

**Charles Schwab:** Restructuring charges were booked in 2003, 2002 and 2001 to reduce workforce and the size of the company's operations. Not all of the charges were completed in the years they were announced. Reported U.S. profits were adjusted to reflect actual expensing, which reduced 2003 U.S. profits and increased them in 2002 and 2001. The study also added back nondeductible amortization of goodwill in 2001. The tax rate was high in 2001. The company reported negative deferred taxes in that year which were due to tax benefits not yet tax deductible. Reported federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$3 million, \$4 million and \$37 million.

**Cinergy:** The most commonly used and largest source of tax savings employed was accelerated depreciation, which saved the company \$129 million, \$172 million and \$43 million in 2003, 2002 and 2001. In 2001, the company saved \$44 million from taxes deferred on unrealized gains on hedging instruments.

Section 29 alternative fuel tax credits cut taxes by taxes by \$84 million, \$42 million and \$1 million in 2003, 2002 and 2001. Investment tax credits lowered taxes in 2003, 2002 and 2001 by \$8 million, \$8 million and \$9 million. Reported total federal and state tax benefits from stock options were \$7 million and \$3 million in 2003 and 2002.

**Citigroup:** Following the acquisition of Associates First Capital Corp in 2000, the company reported a restructuring charge. Restructuring charges were also booked in 2001 and 2002 to reduce the company's workforce. The study divided these charges geographically and allocated their current effect to U.S. pretax profits between 2001 and 2003. The company takes annual charges to increase its reserves for future credit losses. The study adjusted U.S. pretax profits between 2001 and 2003 for the unused portions of those charges. Reported total federal and state tax benefits from employee stock option plans in 2003, 2002 and 2001 were \$674 million, \$381 million and \$363 million.

**Clorox:** Affordable-housing credits cut taxes in 2003, 2002 and 2001 by \$14 million, \$11 million and \$11 million. Federal and state tax benefits from stock options were \$16 million, \$12 million and \$9 million in 2003, 2002 and 2001. In 2003, deferred taxes reported primarily reflected tax savings from accelerated depreciation and the use of tax benefits deferred in the past.

**Coca-Cola Company:** A "streamlining charge" was recorded in 2003 and a "realignment charge" in 2000. The charges were divided geographically and allocated to 2003, 2002 and 2001 based on their current effect in those years, which increased reported profits in 2003 and reduced reported profits in 2002 and 2001. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$11 million, \$11 million and \$58 million.

**Colgate-Palmolive:** The company does not distinguish between federal current income taxes and federal deferred taxes. Those amounts were calculated by adjusting the company's reported U.S. current and deferred tax provision for (a) taxes deferred from accelerated amortization, (b) deferred tax benefits from restructuring accruals, (c) a turnaround in deferred taxes related to accelerated depreciation, (d) the utilization of deferred tax benefits related to pension and postretirement benefits; (e) taxes deferred due to or turnaround of deferred taxes from "Other, net;" and (f) estimated current state income taxes. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$81 million, \$28 million and \$44 million.

**Comerica:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported current foreign income taxes. The company annually records a charge for anticipated, future bad loans. The study divided these charges geographically and allocated them to pretax profits between 2001 and 2003 for their current effect, which increased calculated profits in 2003, 2002 and 2001. The same approach was applied to a 2001 restructuring charge, which was fully utilized in 2002. That adjustment reduced calculated profits in 2002 and increased profits in 2001. In 2001, the company acquired Imperial Bancorp and pretax profits were adjusted in that year for nondeductible expenses related to the acquisition. Nondeductible goodwill amortization in 2001 was \$20 million, which was added back to

pretax profits. Affordable-housing credits lowered the 2003, 2002 and 2001 tax bill by \$19 million, \$15 million and \$11 million. Corporate-owned life insurance lowered taxes over the same three years by \$16 million, \$20 million and \$13 million.

**Computer Sciences:** It is not entirely clear how the company achieved tax rebates in 2003, 2002 and 2001. The company utilized NOL carryforwards in 2003 to lower its taxes by approximately \$63 million. The company paid AMT of \$3 million in 2003. Accelerated depreciation saved the company \$192 million and \$224 million in 2002 and 2001. Calculated total federal and state tax benefits from stock options by \$3 million, \$5 million and \$6 million.

**Conagra:** The company's fiscal years end in May of the years listed. Deferred tax benefits related to restructuring charges booked prior to 2001 were used to lower taxes between 2001 and 2003. There was a turnaround in deferred taxes related to accelerated depreciation in 2002 of \$44 million, but in 2003 and 2001 accelerated depreciation saved the company \$144 million and \$70 million. The study adjusted pretax profits in 2002 and 2001 for nondeductible goodwill amortization costs. Calculated total federal and state tax benefit from stock options in 2003, 2002 and 2001 were \$12 million, \$5 million and \$7 million. Export and job credits in 2003 and 2002 were \$16 million per year and \$20 million in 2001.

**ConocoPhillips:** In late 2001, Conoco Inc. and Phillips Petroleum Company announced their merger, effective August 30, 2002. The new company's annual reports include both companies after the merger date, but only Phillips prior to that date. The study added Conoco's results to our 2001 profit, tax and other figures, but were unable to do so for the first eight months of 2002. As a result, the 2002 figures include all of Phillips, but only four months of Conoco. (The study roughly estimated total 2002 capital expenditures for the combined companies.) Restructuring charges were recorded in 2002 and 2003. In computing U.S. pretax profits for 2002 and 2003, the study divided the restructuring charges geographically and adjusted reported U.S. pretax profits in 2002 and 2003 for the current effect of the restructuring charges, which reduced reported U.S. profits in 2003 and increased them in 2002. Nondeductible acquired in-process R&D costs related to Conoco's natural gas-to-liquid operations absorbed in the merger were \$246 million in 2002, which was added back to reported U.S. profits. The company paid AMT of \$241 million in 2002 and used \$104 million in AMT credit carryforwards to lower its 2003 taxes. Most of the company's deferred taxes reported in 2003 stemmed from accelerated depreciation and unrealized gains from joint-ventures. Accelerated depreciation was the lion's share of deferred taxes in 2002 and 2001, saving the company \$716 million and \$1.4 billion (the latter figure was calculated using, in part, earlier reports from the uncombined companies). U.S. tax credits in 2003, 2002 and 2001 were \$25 million, \$77 million and \$84 million. Federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$25 million, \$19 million and \$15 million.

**Consolidated Edison:** While the details are unclear due to limited disclosure in the financial reports, the company deferred 85 percent of its taxes in between 2002 and 2003. Investment tax

credits in 2003, 2002 and 2001 were \$6 million, \$10 million and \$9 million.

**Constellation Energy:** In 2003 and 2002, tax savings from accelerated depreciation was the largest component of reported deferred taxes. In 2001, the company reported negative deferred taxes stemming from a turnaround in taxes previously owed related to "Power marketing and risk management activities, net." Section 29 alternative fuel tax credits lowered taxes in 2003, 2002 and 2001 by \$35 million, \$21 million and \$13 million. Investment tax credits in the same three years were \$7 million, \$8 million and \$8 million.

**Costco:** The company's fiscal years end on September 1 of the years listed. The study (a) subtracted interest expense from and (b) added interest income to operating income to arrive at pretax profits. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$12 million, \$27 million and \$33 million.

**Countrywide Financial:** Reported total federal and state tax benefits from stock options were \$88 million, \$22 million and \$9 million in 2003, 2002 and 2001.

**Coventry Health Care:** Federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$19 million, \$15 million and \$2 million.

**CSX:** Tax refunds were reported for 2003 and 2001, reflecting tax savings from accelerated depreciation of \$235 million and \$47 million. In 2002, accelerated depreciation saved the company \$182 million. Calculated total federal and state tax benefits from stock options were \$2 million, \$3 million and \$4 million in 2003, 2002 and 2001.

**CVS:** In 2001, charges were recorded for store closings and layoffs. Pretax profits between 2001 and 2003 were adjusted to reflect the actual expensing of those reserves, which reduced reported profits in 2003 and 2002 and increased them in 2001. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$3 million, \$3 million and \$13 million.

**Danaher:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported current foreign taxes. A restructuring charge of \$70 million was taken in 2001 to establish reserves for future layoffs, plant closures and related exiting costs. The charge was divided geographically and allocated to reduce 2003 and 2002 U.S. profits and increase them in 2001. U.S. pretax profits in 2001 were adjusted to disallow nondeductible goodwill amortization. The company did not pay any taxes in 2003 and 2002 and after including stock option tax benefits generated tax rebates in those years. Between 2001 and 2003 was the company deferred nearly all of its taxes, but it is difficult to discern how based on the company's disclosures. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$28 million, \$28 million and \$13 million.

**Darden Restaurants:** The company's fiscal years end in May of the years listed. The 2001 to 2003 tax rates were lowered by tax benefits credited to equity, tax credits and deferred taxes. It is likely that most the tax benefits credited to equity were from

stock options and thus the study did not make any additional adjustment for stock options. Federal tax credits in 2003, 2002 and 2001 were \$16 million, \$14 million and \$12 million. Accelerated depreciation was the primary factor behind the company's deferred taxes, saving the company \$26 million, \$26 million and \$11 million in 2003, 2002 and 2001.

**Dean Foods:** In computing pretax U.S. pretax profits, the study estimated foreign pretax profits based on current foreign taxes disclosed. Since 1999, the company has been recording charges for facility closures. The study tracked the cash portion of these charges and allocated their current effect, which lowered U.S. profits in 2003 and 2001 and increased them in 2002. Nondeductible goodwill amortization in 2001 was \$16 million and was added back to pretax profits. Between 2001 and 2003, accelerated depreciation was the company's largest source of tax savings. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$26 million, \$14 million and \$9 million. The company's tax-exempt income, which was most likely generated from Puerto Rico operations, represented \$2 million in tax savings in 2001.

**Dell:** The company's fiscal years end in January following the years listed. The company recorded a special charge in 2001 for restructuring. The study divided the charge geographically and allocated to reduce reported U.S. profits in 2003 and 2002 and increase reported U.S. profits in 2001. Reported federal tax benefits from stock options in 2003, 2002 and 2001 were \$181 million, \$260 million and \$487 million. In 2002, tax credit carryforwards lowered taxes by \$115 million.

**Devon Energy:** All \$79 million of AMT paid between 2001 and 2002 was reversed in 2003, when the company used \$108 million in AMT credit carryforwards to lower its tax bill in 2003. The company, at year end 2003, still had \$56 million in AMT credit carryforwards. Tax savings from accelerated depreciation were substantial, saving the company \$2.2 billion, \$674 million and \$1.5 billion in 2003, 2002 and 2001. In 2001, use of NOL carryforwards lowered taxes by \$113 million. Reported total federal and state tax benefits from stock options were \$31 million, \$6 million and \$12 million in 2003, 2002 and 2001. Section 29 alternative fuel tax credits were \$19 million in 2002 and 2001.

**Dillard's:** The company's fiscal years end in January following the years listed. Nondeductible goodwill amortization in 2003 and 2001 was \$2 million and \$16 million, which was added back to reported pretax profits. It is not clear how the company generated a tax rebate in 2003. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$0.2 million; \$3 million and \$0.4 million.

**Disney, Walt:** The company's fiscal years end in September of the years listed. Restructuring charges were booked in 2000 and years prior. Pretax profits in 2002 and 2001 were adjusted for the current domestic effects of those charges, which reduced reported profit in 2002 and increased them in 2001. Nondeductible write-offs of intangibles were \$755 million and nondeductible amortization of goodwill was \$663 million in 2001, which were added back reported profits. In 2003, utilization of NOL carryforwards reduced the company's taxes by \$126 million. Reported

total federal and state tax benefits from stock options were \$5 million, \$8 million and \$48 million in 2003, 2002 and 2001.

**Dollar General:** The company's fiscal years end in January following the years listed. Jobs credits lowered taxes in 2003, 2002 and 2001 by \$4 million, \$3 million and \$1 million. Calculated total federal and state tax benefits from stock options were \$15 million, \$2 million and \$6 million in 2003, 2002 and 2001.

**Dominion Resources:** A restructuring charge was booked in 2000 after the acquisition of Consolidated Natural Gas. Another restructuring charge followed in 2001. Both charges were primarily for future reduction of employee headcount and neither program was completed in its respective year of announcement. Thus, reported U.S. pretax profits were adjusted for the current effect of the restructuring charges, which reduced reported U.S. profits in 2003 and 2002 and increased them in 2001. Nondeductible amortization of goodwill was \$86 million in 2001, which was added back to reported U.S. profits. Between 2001 and 2003, the company avoided 82 percent of its taxes primarily through accelerated depreciation and amortization. Section 29 alternative fuel tax credits were \$37 million and \$42 million in 2002 and 2001. Investment tax credits in 2003, 2002 and 2001 were \$18 million, \$18 million and \$19 million. Reported federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$14 million, \$21 million and \$12 million. At year end 2003, the company had Federal NOL carryforwards, net of valuation allowance, of \$248 million and \$113 million in AMT credits available to reduce future federal taxes.

**Dover:** Nondeductible expenses were \$4 million, \$6 million and \$20 million, which were added back to reported profits. Adjustments to pretax profits were made in 2003, 2002 and 2001 for actual expensing of restructuring charges that were recorded in 2002 and 2001, which reduced reported profits in 2003 and increased reported profits in 2002 and 2001. Tax breaks on exports were \$11 million, \$11 million and \$13 million in 2003, 2002 and 2001. In the same years, calculated total federal and state taxes tax benefits from stock options lowered taxes by \$2 million, \$3 million and \$3 million.

**DTE Energy Company:** The company does not distinguish between federal and state income taxes, so all taxes were treated as federal in the study. The company benefitted substantially from Section 29 alternative fuel tax credits, which in 2003, 2002 and 2001 were \$241 million, \$250 million and \$165 million (or 1.8 times the total taxes otherwise owed from 2001 to 2003); however, AMT taxes kicked in, forcing tax payments of \$116 million, \$107 million and \$149 million in 2003, 2002 and 2001. At year end 2003, the company had \$497 million in AMT credit carryforwards available to lower future taxes. Investment tax credits in 2003, 2002 and 2001 were \$8 million, \$9 million and \$8 million. R&D credits in 2001 were \$7 million.

**Eaton:** In computing U.S. pretax profits, the study adjusted reported U.S. operating profit for the calculated U.S. share of (a) income from divestitures, (b) goodwill amortization, (c) intangible asset amortization, (d) interest expense, (e) gain on sale of businesses and (f) corporate expenses. Items (a) and (c) only affected 2001's figures. Restructuring charges were booked annually since 2000. The study adjusted calculated U.S. pretax profits for the

current effect of the charges, which reduce calculated profits in 2003 and 2002 and increased them in 2001. Nondeductible goodwill amortization was also added back in 2001. Puerto Rico tax credits cut taxes in 2003, 2002 and 2001 by \$32 million, \$33 million and \$41 million. R&D credits in 2001 were \$19 million. Calculated total federal and state tax benefits from stock options were \$13 million, \$13 million and \$11 million.

**Ecolab:** Calculated total federal and state tax benefits from stock options were \$14 million, \$21 million and \$17 million in 2003, 2002 and 2001.

**Eli Lilly:** Based on reported revenue information, the company generated 57 percent, 59 percent, 64 percent and 64 percent of its total revenues in 2003, 2002, 2001 and 2000 in the U.S.. It is reasonable then to believe that the company's U.S. operations made up 55 percent and 56 percent of worldwide pretax profits in 2001 and 2000 as the company reports, but it is not reasonable that the U.S. share of worldwide pretax profits fell in 2003 and 2002 to only 22 percent and 28 percent. Thus the study recalculated U.S. pretax profits for 2003 and 2002 by multiplying (A) by (B) where (A) was the following ratio: U.S. percentage share of worldwide sales in 2001: U.S. percentage share of worldwide pretax profits in 2001 and (B) was reported total pretax profit either in 2003 or 2002. In 2003, the company deducted more inventory expenses on its books than was permitted for tax purposes. Utilization of capital loss carryforwards lowered worldwide taxes in 2001 by \$111 million. General business credits lowered taxes in 2003, 2002 and 2001 by \$23 million, \$24 million and \$39 million. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$60 million, \$70 million and \$83 million.

**Emcor:** In 2001, nondeductible goodwill amortization was \$4 million, which was added back to U.S. pretax profits. Utilization of NOL carryforwards lowered taxes by \$15 million; \$0.4 million and 0.4 million in 2003, 2002 and 2001. Calculated total federal and state tax benefits from stock options lowered taxes in 2003, 2002 and 2001 by \$1 million; \$0.5 million and \$0.2 million.

**Emerson:** The company's fiscal years end in September of the years listed. The company wrote-down \$54 million of goodwill related to its Electronic and Telecommunications division in 2003, \$53 million of which was not deductible for tax purposes. Nondeductible goodwill amortization in 2001 was \$120 million. The study increased reported U.S. profits in 2003 and 2001 for those items. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$2 million, \$3 million and \$11 million.

**Energy East:** As reported by the company, current taxes include federal and state portions. The study separated state taxes from federal taxes. The drastic decline in tax rates from 2001 to 2003 is linked to a substantial increase in deferred taxes reported during the period. The rise in deferred taxes between 2001 and 2003 was primarily from accelerated depreciation and "contract termination payments."

**Engelhard:** Restructuring charges were recorded annually since 2000. The study divided the charges geographically and allocated their current effect to reduce U.S. reported profits in 2003, 2002

and 2001. Nondeductible amortization of goodwill was added back to reported U.S. profits in 2001. The company paid AMT of \$7 million and \$32 million in 2003 and 2002. At year end 2003, the company had \$39 million in AMT credit carryforwards available to reduce future taxes. Accelerated depreciation saved the company \$29 million and \$37 million in 2003 and 2002. The negative tax rate in 2003 was after including federal and state tax benefits from stock options, which were \$3 million, \$8 million and \$17 million in 2003, 2002 and 2001.

**Entergy:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported foreign taxes. U.S. pretax profits were adjusted for the current effect of a restructuring charge booked in 2002. Unbilled revenue recognized for tax purposes in 2002 but not yet recognized for book purposes until 2003 was included in 2002 profits in the study, rather than 2003 to reduce anomalies. The aggregate effects of those adjustments reduced U.S. profits in 2003 and increased U.S. profits in 2002 and 2001. Tax savings from accelerated depreciation and "nuclear decommissioning" lowered taxes in 2003 by \$897 million.

**Estée Lauder:** In computing U.S. pretax profits, the study subtracted from reported U.S. operating income (a) the U.S. share of the current effect of restructuring charges booked between 2001 and 2003 and (b) the U.S. share of net interest expense between 2001 and 2003. The aggregate effect was a reduction in pretax profits in 2003 and an increase in 2002 and 2001. Tax credits in 2003 and 2002 were \$13 million and \$2 million. Reported federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$8 million, \$3 million and \$7 million.

**Exelon:** In 2003, the company recorded paper charges of \$945 million to write-down assets of Boston Generating and \$280 million to write-down investments in Slithe. In computing U.S. pretax profit, the study added back these charges because they were not deductible for tax purposes. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$21 million, \$10 million and \$21 million. Section 29 alternative fuel tax credits in 2003 were \$22 million. Affordable-housing credits in 2003, 2002 and 2001 lowered taxes by \$13 million \$13 million and \$12 million. Investment tax credits during the same three years were \$13 million, \$15 million and \$14 million. The study added back nondeductible goodwill amortization to reported U.S. pretax profits in 2001.

**ExxonMobil:** The company recorded reorganization charges in 2002, 2001 and 2000. The study adjusted U.S. pretax profits for the current effect of those charges, which reduced reported U.S. profits in 2003, 2002 and 2001. In 2003, a tax settlement with the IRS cut taxes by \$541 million. Accelerated depreciation saved the company \$2 billion and \$1.5 billion in 2003 and 2002. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$174 million, \$154 million and \$137 million.

**Family Dollar Stores:** Calculated total federal and state tax benefits from stock options were \$5 million, \$8 million and \$4 million in 2003, 2002 and 2001.

**Federated Department Stores:** The company's fiscal years end in January of the years listed. A charge was recorded in 2001 to close down the company's Stern stores operations. The current effect

of the charge was allocated to 2003, 2002 and 2001, which reduced pretax profits in 2003 and 2002 and increased them in 2001. Book expenses were more than tax deductions in 2002, causing the company to report negative deferred taxes. The lower tax rate that followed in 2003 reflects the use of deferred tax benefits that accumulated in 2002. Reported federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$29 million, \$4 million and \$10 million.

**FedEx:** The company's fiscal years end in May of the years listed. In computing U.S. pretax profits, the study estimated foreign pretax profits based on current foreign income taxes (as disclosed). Negative deferred taxes were reported for 2001 and stemmed from an increase in deferred tax benefits. Accelerated depreciation tax savings in 2003, 2002 and 2001 were \$49 million, \$81 million and \$129 million. Calculated total federal and state tax benefits from stock options were \$30 million, \$28 million and \$6 million.

**Fidelity National:** The company's foreign operations were minor, but the study estimated the company's foreign pretax profits for 2003. Nondeductible amortization of goodwill was added back to U.S. pretax profits in 2001. Reported federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$19 million, \$21 million and \$9 million.

**Fifth Third:** Integration charges followed the acquisitions of Old Kent Financial Corp. in 2001 and Grand Premier Financial Inc. and Merchants Bancorp Inc. in 2000. Not all of the charges booked were utilized in their year of announcement. The study allocated the current effect of those charges, which reduced reported pretax profits in 2003 and 2002 and increased reported profits in 2001. Pretax profits was also adjusted for the current effect of annual charges for anticipated, future bad loans, which increased pretax profits in 2003, 2002 and 2001. The company's leasing business generated the largest tax savings, which were \$235 million, \$305 million and \$262 million in 2003, 2002 and 2001. Tax credits in the same three years lowered taxes by \$31 million, \$22 million and \$13 million. Reported total federal and state tax benefits from stock options were \$24 million, \$26 million and \$22 million in 2003, 2002 and 2001.

**First Data:** The company's presentation of its current and deferred taxes required some (fairly minor) estimating to determine the federal and state components of its reported current taxes. Nondeductible goodwill amortization was \$83 million in 2001, which was added back to pretax profits. Restructuring charges were booked in all years between 2000 and 2003. The charges were divided geographically and allocated to pretax profits between 2001 and 2003 based on when those charges actually incurred. The adjustments increased pretax profits in 2003 and reduced them in 2002 and 2001. Tax-exempt income and deductions for dividends resulted in tax savings of \$149 million, \$146 million and \$119 million in 2003, 2002 and 2001. Tax credits in those same years were \$11 million, \$12 million and \$10 million. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$38 million, \$118 million and \$80 million.

**Fisher Scientific International:** A restructuring charge was recorded in 2001. The study divided the charge geographically and allocated it to reported U.S. pretax profits, which reduced

U.S. pretax profits in 2003 and 2002 and increased U.S. pretax profits in 2001. The negative tax rates in 2002 and 2001 were after federal and state tax benefits from stock options, which were \$6 million, \$9 million and \$9 million in 2003, 2002 and 2001.

**Fluor:** The company's fiscal years end in December of the years listed, which was changed from October during the company's fiscal year 2002. The study separated reported taxes into their federal, state and foreign portions. The utilization of NOL carryforwards lowered taxes by \$22 million and \$37 million in 2002 and 2001. The company paid \$9 million in AMT in 2001 and utilized AMT credit carryforwards to lower its taxes in 2003 by \$1 million. Tax settlements with the IRS cut the company's taxes in 2003, 2002 and 2001 by \$22 million, \$7 million and \$6 million. Tax savings from accelerated depreciation 2001 were \$15 million. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$4 million, \$3 million and \$35 million.

**Foot Locker:** The company's fiscal years end in January following the years listed. AMT paid was \$3 million, \$9 million and \$1 million in 2003, 2002 and 2001. At year end 2003, the company had \$24 million in AMT tax credits available to reduce future taxes. Reported federal and state tax benefits from stock options were \$2 million in 2003, 2002 and 2001.

**FPL Group:** Investment tax credits and production tax credits from the company's FPL Energy subsidiary lowered the company's taxes in 2003, 2002 and 2001 by \$98 million, \$74 million and \$49 million. Except in 2001, when there was a turnaround of \$44 million in deferred taxes, accelerated depreciation saved the company \$560 million and \$716 million in 2003 and 2002.

**Gannett:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported current foreign income taxes. Nondeductible amortization of goodwill in 2001 of \$149 million was added back to income. Deferred taxes reported between 2001 and 2003 primarily reflect accelerated depreciation and amortization. Reported total federal and state tax benefits from stock options were \$45 million, \$24 million and \$19 million in 2003, 2002 and 2001.

**General Dynamics:** In computing U.S. pretax profits, the study estimated U.S. and foreign pretax profits based on the geographic breakdown of sales. The company has an agreement with the government whereby proceeds from the sale of ships to the Dept. of Transportation are reinvested tax-deferred in a "Capital Construction Fund." As of 2003, the agreement has generated tax savings of \$112 million. R&D tax credits in 2003, 2002 and 2001 were \$21 million, \$6 million and \$6 million.

**General Electric:** The study added back to pretax profits in 2001 nondeductible goodwill amortization. Adjustments were also made to reported profits for the current effect of a restructuring charge recorded in 2002, which reduced reported profits in 2003 and increased them in 2002. The company's financing arm paid AMT in 2001 of \$24 million and utilized AMT credit carryforwards to lower taxes in 2003 and 2002 by \$246 million and \$98 million. Accelerated depreciation saved the company \$665 million, \$1.2 billion and \$748 million in 2003, 2002 and 2001. Calculated total

federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$376 million, \$206 million and \$390 million.

**General Mills:** The company's fiscal years end in May following the years listed. Restructuring charges followed the acquisition of Pillsbury from Diageo PLC (2001 and 2002), the disposal of the Squeezit business (2000), and asset sales (1998). Pretax profits between 2001 and 2003 were adjusted for the actual utilization of the company's restructuring reserves recorded in conjunction with the aforementioned programs, which reduced pretax profits in 2003 and 2002 and increased pretax profits in 2001. Reported total federal and state tax benefits from stock compensation plans were \$5 million, \$21 million and \$53 million.

**Genuine Parts:** In 2001, a charge was booked against income to close down facilities and write off assets. The charge was allocated to pretax profits between 2001 and 2003 for its current effect in each of those years, which reduced reported profits in 2003 and 2002 and increased reported profits in 2001. Pretax profits between 2001 and 2003 were also adjusted for expenses booked but not yet recognized for taxes, which increased pretax profits in 2003 and 2001 and lowered them in 2002. Calculated total federal and state tax benefits from stock options were \$1 million, \$4 million and \$2 million in 2003, 2002 and 2001.

**Gillette:** A turnaround in deferred taxes related to accelerated depreciation keyed negative deferred taxes reported for 2003. Tax savings from accelerated depreciation in 2002 and 2001 were \$125 million and \$41 million. Restructuring charges were recorded in 2003, 2002 and 2001. The study divided the charges geographically and their current effects were allocated to 2003, 2002 and 2001. Reported U.S. pretax profits in 2001 were increased for nondeductible goodwill amortization. Calculated total federal and state tax benefits from stock options were \$12 million, \$21 million and \$12 million in 2003, 2002 and 2001.

**Golden West Financial:** The company's practice is to annually book charges for future credit losses, but for the purpose of the study, U.S. pretax profits were adjusted for the unused portions of these charges. The adjustment increased reported U.S. pretax profits in 2003, 2002 and 2001. Calculated total federal and state tax benefits from stock options were \$13 million, \$12 million and \$9 million in 2003, 2002 and 2001.

**Goldman Sachs:** The company's fiscal years end in November of the years listed. Federal tax credits in 2003 and 2002 were \$138 million and \$65 million. Reported total federal and state tax benefits in 2003, 2002 and 2001 were \$103 million, \$119 million and \$123 million.

**Goodrich:** In computing U.S. pretax profits, the study adjusted reported U.S. profits for (a) the current effect of restructuring charges recorded since 2000, which increased pretax profits in 2003 and 2001 and reduced them in 2002; (b) deferred tax benefits from accruals, which increased profits in 2003; (c) permanently nondeductible in-process R&D from the acquisition of TRW's Aeronautical Systems, which increased profits in 2002 and (d) permanently nondeductible amortization of goodwill, which increased profits in 2001. Utilization of NOL carryforwards reduced taxes in 2003 and 2001 by \$19 million and \$10 million. Tax credits reduced taxes by \$1 million in 2000. Reported total

federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$0.4 million, \$0.5 million and \$8 million in 2003, 2002 and 2001.

**Graybar Electric:** The company's negative tax rate in 2003 is tied to tax savings from accelerated depreciation of computer software. The high tax rate in 2001 reflects negative deferred taxes, stemming from a turnaround of deferred taxes related to depreciation of fixed assets.

**Harley-Davidson:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on current foreign taxes (as disclosed). Calculated U.S. pretax profits were increased for nondeductible goodwill amortization in 2001. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$14 million, \$14 million and \$45 million.

**Harrah's:** In computing U.S. pretax profits, the study adjusted for nondeductible expenses from goodwill amortization, which increased reported profits. Reported total federal and state tax benefits from stock options were \$16 million, \$24 million and \$18 million.

**HCA:** According to a *NY Times* article dated July 7, 2002, a settlement was reached between the company and the government over allegations of Medicare fraud. Consequently, the company charged \$840 million, \$262 million and \$603 million against income in 2000, 2001 and 2002 to cover the related fines. Not all of these charges were paid out in the years they were announced, creating future tax benefits. The increases and decreases in the company's effective tax rates between 2001 and 2003 were affected by the accumulation and the subsequent use of those deferred tax benefits. As of year end 2003, the company had paid all of the related fines. The study adjusted reported U.S. pretax profits in 2003, 2002 and 2001 for nondeductible goodwill amortization expenses. Reported total federal tax benefits from stock options reduced federal and state taxes in 2003, 2002 and 2001 by \$31 million, \$60 million and \$40 million.

**Health Net:** The study adjusted reported U.S. pretax profits for nondeductible goodwill amortization in 2003, 2002 and 2001. The company's largest source of tax savings came from the utilization of NOL carryforwards, which lowered taxes in 2003, 2002 and 2001 by \$0.3 million, \$7 million and \$63 million. Settlements with the IRS cut taxes in 2003, 2002 and 2001 by \$10 million, \$21 million and \$10 million. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$16 million, \$18 million and \$3 million.

**Henry Schein:** Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$13 million, \$8 million and \$3 million.

**Hershey:** The high tax rate in 2001 reflects a turnaround in deferred taxes related to accelerated depreciation and the accumulation of deferred tax benefits. The latter was reversed in 2002. A realignment charge was booked in 2001 and was fully completed in 2002. Pretax profits were adjusted to reflect the actual use of the related reserves, which reduced reported profits in 2002 and increased them in 2001. The company's operations in Puerto Rico lowered taxes in 2003, 2002 and 2001 by \$6 million, \$6 million and \$4 million. Calculated total federal and state tax

benefits from stock options were \$12 million, \$26 million and \$12 million in 2003, 2002 and 2001.

**Home Depot:** The company's fiscal years end in January following the years listed. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$138 million, \$68 million and \$24 million.

**Hormel:** The company's fiscal years end in October of the years listed. Calculated total federal and state tax benefits from stock options were \$3 million, \$3 million and \$2 million in 2003, 2002 and 2001.

**Hughes Supply:** The company's fiscal years end in January following the years listed. Nondeductible expenses in 2003, 2002 and 2001 were \$3 million, \$4 million and \$7 million, which were added back to reported profits for the study. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$1 million, \$1 million and \$300,000 million.

**Humana:** The company paid AMT of \$8 million in 2001, but its tax rate was still low. In 2001, the utilization of NOL and capital loss carryforwards of \$28 million, accelerated depreciation tax savings of \$22 million and \$13 million in compensation expenses that in the past were deferred for tax purposes enabled the company to eliminate most of its income taxes. In 2003 and 2002, the company reversed all of its previous AMT payments by utilizing AMT tax credit carryforwards of \$9 million and \$18 million to reduce taxes in those years. 2002's tax rate was also reduced by an IRS tax settlement of \$33 million. The use of NOL carryforwards reduced taxes in 2003 and 2002 by \$3 million and \$18 million. At the end of 2003, the company had NOL and capital loss carryforwards of \$16 million and \$31 million available to reduce future taxes. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$16 million, \$2 million and \$0.3 million.

**IBM:** It is not clear how the company lowered its tax rates between 2001 and 2003. The company paid AMT in 2003 and 2002 of \$28 million and \$34 million, but benefitted from the utilization of \$142 million in AMT credit carryforwards in 2001. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$202 million, \$136 million and \$502 million.

**Ikon Office Solutions:** The company's fiscal years end in September of the years listed. Between 2001 and 2003, the company paid only 2 percent of its tax obligation. Tax savings from accelerated depreciation and leasing activity made up most of the company's tax savings. Tax-credit carryforwards lowered taxes in 2003 and 2002 by \$13 million and \$22 million. At year-end 2003, the company had tax credit carryforwards and federal NOL carryforwards of \$15 million and \$441 million available to reduce future taxes. Corporate-owned life insurance lowered taxes in 2003, 2002 and 2001 by \$3 million, \$5 million and \$33 million. Reported total federal and state tax benefits from stock options in 2003 and 2002 were \$2 million and \$5 million. In 2001 and 2000, charges were recorded for restructuring and asset impairments. The charges were divided geographically and allocated to reduce 2003 and 2002 reported profits and increase

them in 2001. The study also added back nondeductible amortization and impairment of goodwill in 2001.

**Illinois Tool Works:** 12 percent of the company's total investments are in affordable-housing partnerships, which are solely invested in for tax savings. The company did not disclose the amounts it received from affordable-housing tax credits. Nondeductible goodwill amortization was \$4 million and \$53 million in 2002 and 2001, which were added back to pretax profits. Reported total federal and state tax benefit from stock options in 2003, 2002 and 2001 were \$21 million, \$27 million and \$36 million.

**Ingram Micro:** Reported U.S. pretax profits were adjusted for (a) the actual expensing of restructuring reserves established in 2001 and 2002, (b) nondeductible goodwill amortization and (c) a 2001 charge for uncollectible insurance claims. The most important tax item in 2003, a year when the company paid no federal income taxes, involved the sale of Softbank stock sold in 1999. In 1999, the company deferred all the capital gains it owed on the sale of Softbank stock. Then in 2003 the company reversed the deferred tax liability, basically saying it did not owe any taxes, and in the process generated a \$70 million tax benefit, offsetting federal taxes it owed in 2003. The tax rebate reported for 2001 stemmed from accelerated depreciation tax savings. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$1 million, \$3 million and \$5 million.

**Intel:** Negative deferred taxes reported for 2001 stemmed from deferred tax turnarounds related to accelerated depreciation and unrealized investment gains. The low tax rates in 2003 and 2002 reflect tax benefits from the sale of DSP Communications, Inc.; Dialogical Corporation and Xircom, Inc. stock (in 2003) and Ziatech Corporation stock (in 2002). Nondeductible acquisition related costs and nondeductible write-offs of goodwill in 2003, 2002 and 2001 were \$659 million, \$156 million and \$1.9 billion, which were added back to profits for the study. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$216 million, \$270 million and \$435 million.

**ITT Industries:** Tax rebates were reported for 2003, 2002 and 2001. Between 2001 and 2003, the company was able to defer its entire tax liability by utilizing deferred tax benefits and deferring taxes through accelerated depreciation. The study adjusted pretax profits between 2001 and 2003 for actual expensing of restructuring reserves (mindful of the domestic/foreign components) and nondeductible goodwill amortization in 2001. Adjustments for restructuring activity increased reported pretax profits in 2003 and 2001. The adjustment for nondeductible goodwill amortization increased reported pretax profits in 2001. Reported total federal and state tax benefits from stock options were \$18 million, \$40 million and \$31 million.

**Jacobs Engineering Group:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported current foreign income taxes. Reported federal and state tax benefits from stock options were \$4 million, \$6 million and \$7 million in 2003, 2002 and 2001.

**Jefferson-Pilot:** The company does not make a distinction between federal and state taxes, so all the taxes were treated as

federal. Tax-exempt income, including dividend income, cut taxes in 2003, 2002 and 2001 by \$9 million, \$10 million and \$9 million. Reported total federal tax benefits from stock options in 2003, 2002 and 2001 were \$7 million, \$5 million and \$1 million.

**John Hancock:** The company generated its largest tax benefits from its leasing business, which produced tax write-offs that saved the company \$269 million, \$149 million and \$184 million in 2003, 2002 and 2001. The leasing business also generated nontaxable income generating additional tax savings of \$10 million, \$26 million and \$16 million in 2003, 2002 and 2001. "Other" sources of tax-exempt income lowered taxes in the same years by \$21 million, \$36 million and \$32 million. Tax credits, including affordable-housing credits, lowered taxes by \$50 million, \$36 million and \$28 million in 2003, 2002 and 2001. Reported total federal and state tax benefits from stock options were \$4 million and \$5 million in 2003 and 2002.

**Johnson & Johnson:** The study separated federal from state taxes (which the company reported on a combined basis). Following several acquisitions (2003: Scios, Spine Group, Orquest, 3-D Pharmaceuticals; 2002: Tibotech-Vicro N.V.; 2001: Inverness Medical Technology), the company recorded nondeductible in-process R&D charges of \$918 million, \$189 million and \$105 million in 2003, 2002 and 2001, which were added back to reported profits. R&D tax credits in 2003, 2002 and 2001 were \$103 million, \$65 million and \$32 million. Puerto Rico and Ireland operations generated tax savings of \$629 million, \$418 million and \$426 million. Calculated total federal and state tax benefits from stock options were \$266 million, \$311 million and \$208 million in 2003, 2002 and 2001.

**Johnson Controls:** The company's fiscal years end in September of the years listed. Nondeductible amortization of goodwill in 2001 was \$52 million, which was added back to profits for the study. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$15 million, \$12 million and \$13 million.

**Jones Apparel:** Restructuring charges (through 2003) followed the 2001 acquisitions of Judith Jack, LLC and McNaughton Apparel Group and the 1999 acquisition of Sun Apparel Inc. and Nine West Group Inc. The charges were for future layoffs and plant closings. In computing pretax profits, the study adjusted for the current effect of those charges, which increased reported profits in 2003 and reduced them in 2002 and 2001. Nondeductible goodwill amortization was \$44 million in 2001 and was added back to reported profits in that year. Reported total federal and state tax benefits from stock options were \$3 million, \$17 million and \$27 million in 2003, 2002 and 2001.

**JPMorgan Chase:** In computing U.S. pretax profits, the study adjusted reported U.S. pretax profits for the U.S. share of the current effect of charges booked for anticipated, future credit losses. The company's leasing business generated tax savings in 2003, 2002 and 2001 of \$528 million, \$475 million and \$130 million. Tax savings from accelerated depreciation were \$180 million and \$84 million in 2003 and 2002, following a tax turnaround (i.e., a cost) in 2001. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$33 million, \$77 million and \$311 million.

**Kellogg's:** Pretax profits between 2001 and 2003 reflect used portions of integration reserves established in 2001 and 2000, which reduced reported profits in 2001-03. Nondeductible goodwill amortization was \$66 million in 2001 and was added back to reported profits. Calculated total federal and state tax benefits from stock options were \$7 million, \$12 million and \$1 million in 2003, 2002 and 2001.

**Kelly Services:** In 2003, general business tax credits of \$6 million and tax savings from accelerated depreciation combined to generate the reported tax rebate. General business credits in 2002 and 2001 were \$3 million and \$2 million. Calculated total federal and state tax benefits from stock options in 2003 were \$26,000.

**KeyCorp:** Restructuring charges were booked in 2000 and 1999. The study allocated the current effect of those charges, which reduced reported profits in 2003, 2002 and 2001. Pretax profits were also adjusted for the current effect of charges recorded annually for anticipated, future credit losses, which reduced reported profits in 2003 and 2002 and increased them in 2001, and nondeductible goodwill amortization in 2001, which increased reported profits. Tax credits, including affordable-housing credits, reduced taxes by \$43 million, \$37 million and \$42 million in 2003, 2002 and 2001. Tax-exempt income and corporate life insurance policies lowered taxes by \$54 million, \$52 million and \$57 million. The company shifted some of its leases to a foreign subsidiary to take advantage of lower foreign taxes. Those transactions allowed the company to cut its taxes by \$23 million, \$61 million and \$13 million in 2003, 2002 and 2001. Calculated total federal and state tax benefits from stock options were \$12 million, \$8 million and \$11 million in 2003, 2002 and 2001.

**KeySpan:** The study adjusted reported total current taxes to separate federal and state taxes. Accelerated depreciation saved the company \$231 million, \$319 million and \$96 million in 2003, 2002 and 2001. Nondeductible goodwill amortization was \$60 million in 2001, which was added back to U.S. pretax profits. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$2 million, \$2 million and \$5 million.

**Kimberly-Clark:** The company invested in alternative fuel production facilities and affordable-housing partnerships to obtain tax credits. In 2003, Section 29 alternative fuel tax credits lowered the company's taxes by \$94 million. At year end 2003, investments in affordable-housing were \$133 million. According to the company, affordable-housing credits have reduced the company's taxes by \$115 million so far. Accelerated depreciation tax savings in 2003, 2002 and 2001 were \$59 million, \$237 million and \$71 million. Based on the company's tax reconciliation, utilization of NOLs lowered taxes by \$17 million, \$15 million and \$30 million in 2003, 2002 and 2001. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$7 million, \$10 million and \$18 million.

**Kinder Morgan:** As reserves of NOL, capital-loss and AMT carryforwards were depleted, the company's tax rates rose from 2001 to 2003. In 2001, utilization of NOL and capital loss carryforwards lowered taxes by \$77 million and \$14 million, and when combined with tax deferrals on investment income generated a tax rebate. In 2002, utilization of NOL, capital loss and AMT credit

carryforwards lowered the company's taxes by \$30 million, \$29 million and \$12 million. By year's end 2002, the company had exhausted its reserves of AMT, NOL and capital loss carryforwards. Reported total federal and state tax benefits from stock options in 2003 were \$30 million.

**Kohl's:** The company's fiscal years end in February following the years listed. Accelerated depreciation saved the company \$74 million, \$59 million and \$31 million in 2003, 2002 and 2001. Reported total federal and state tax benefits from stock options were \$42 million, \$46 million and \$57 million in 2003, 2002 and 2001.

**Kroger:** The company's fiscal years end in January following the years listed. In 2003, the company wrote off \$444 million of goodwill related to its Smith Food & Drug Centers. None of the write-off was deductible for tax purposes. Nondeductible amortization of goodwill in 2001 was \$83 million. For the study's purpose, both nondeductible items in 2003 and 2001 were added back to profits. The company booked a charge for future merger costs in 2000 and restructuring in 2001. The study adjusted profits for the actual expensing of the related reserves, which reduced profits in 2003 and 2002 and increased profits in 2001. Utilization of NOL carryforwards reduced taxes in 2003, 2002 and 2001 by \$47 million, \$19 million and \$19 million. Utilization of AMT credit carryforwards reduced taxes in 2002 and 2001 by \$1 million and \$8 million. Tax savings from accelerated depreciation in 2003, 2002 and 2001 were \$348 million, \$234 million and \$142 million. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$21 million, \$50 million and \$52 million.

**L-3 Communications:** Nondeductible goodwill amortization was \$26 million in 2001, which was added back to reported profits. R&D credits in 2003, 2002 and 2001 were \$8 million, \$7 million and \$9 million. Utilization of NOL carryforwards reduced taxes by \$26 million in 2002. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$8 million, \$13 million and \$12 million.

**Leggett & Platt:** Restructuring charges booked between 2000 and 2003 were divided geographically and their current effect allocated to reduce reported profits in 2003 and 2002 and increase them in 2001. Nondeductible goodwill amortization in 2001 was added back to reported profits. While there was a turnaround in 2001, accelerated depreciation saved the company taxes in 2003 and 2002. Reported total federal and state tax benefits from stock options were \$1 million, \$4 million and \$6 million in 2003, 2002 and 2001.

**Lehman Brothers:** The company's fiscal years end in November of the years listed. Tax savings from stock options lowered the company's total tax bill by 75 percent between 2001 and 2003. Annually, federal and state tax benefits from stock options, as reported, were \$543 million, \$347 million and \$549 million in 2003, 2002 and 2001. In addition, the company generated tax-exempt income, which represented tax savings of \$122 million, \$180 million and \$176 million.

**Lexmark:** Initiatives to move jobs overseas in 2000 and reduce global workforce by 1,600 positions (12 percent of global head-

count) in 2001 resulted in charges in 2000 and 2001, none of which were fully utilized in their year of announcement. For the study's purpose, those charges were divided geographically and allocated to reduce reported profits in 2003 and 2002 and increase them in 2001. Between 2001 and 2003, the company paid only 14 percent of the statutory corporate tax rate. Federal and state stock options were the largest source of tax benefits, saving the company a reported \$37 million, \$31 million and \$55 million in 2003, 2002 and 2001. In 2001, the company also benefitted from a tax credit of \$40 million from the IRS in a settlement regarding inter-company transactions that were disputed in the prior years.

**Limited Brands:** The company's fiscal years end in January following the years listed. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$5 million, \$12 million and \$7 million.

**Liz Claiborne:** In computing U.S. pretax profits, the study subtracted from reported U.S. operating income (a) calculated U.S. share of interest expense, (b) calculated U.S. share of other income/expenses and (c) U.S. share of the current effect of restructuring charges recorded between 1999 and 2002.

**Lowe's:** The company's fiscal years end in January following the years listed. Accelerated depreciation saved the company \$176 million, \$167 million and \$59 million in 2003, 2002 and 2001. Reported total federal and state tax benefits from stock options were \$27 million, \$29 million and \$35 million in 2003, 2002 and 2001.

**Manpower:** The company's significant overseas operations make it difficult to understand why the company's tax rates have dramatically declined since 2001. Federal and state tax benefits from stock options, as calculated, were \$5 million, \$6 million and \$2 million in 2003, 2002 and 2001.

**Marathon Oil:** Accelerated depreciation saved the company \$67 million, \$242 million and \$63 million in 2003, 2002 and 2001. Calculated total federal and state tax benefits from stock options were \$4 million in 2001.

**Marriott International:** In computing U.S. pretax profits, the study made adjustments for actual expensing of restructuring charges booked in 2003 and 2001, which reduced reported profits in 2003 and 2002 and increased profits in 2001. Reported total federal and state tax benefits from ESOP and stock options in 2003, 2002 and 2001 were \$40 million, \$95 million and \$156 million. The company operates four coal-based synthetic fuel facilities solely for the tax benefits, which generated Section 29 alternative fuel tax credits of \$233 million and \$159 million in 2003 and 2002. Those tax benefits do not include tax write-offs from the facilities' losses.

**Masco:** The company wrote-down investments in 2001 by \$530 million, of which \$460 million pertained to one holding, Furnishings International Inc. Pretax profits in 2002 and 2001 were adjusted to reflect the current effect of the charge in those years, which reduced reported profits in 2002 and increased them in 2001. Capital loss carryforwards reduced taxes in 2003 and 2001 by \$47 million and \$71 million. At year end 2003, the company had capital loss carryforwards of \$62 million available to reduce

future taxes. Reported total federal and state tax benefits from stock options were \$11 million, \$2 million and \$14 million in 2003, 2002 and 2001.

**May Department Stores:** Tax savings from accelerated depreciation in 2003, 2002 and 2001 were \$87 million, \$100 million and \$122 million. Deferred taxes were reported negative in 2003, stemming from the accumulation of deferred tax benefits that were booked but not yet tax deductible. A settlement with the IRS in 2003 lowered taxes by \$31 million. Calculated total federal and state tax benefits from stock options in 2002 and 2001 were \$3 million and \$6 million.

**Maytag:** The company booked special charges between 2000 and 2003. The charges were allocated to pretax profits between 2001 and 2003 based on their current effect in those years, which increased reported profits in 2003 and lowered profits in 2002 and 2001. In 2003 and 2002, the company deferred most of its tax liability. Accelerated depreciation tax savings in those years were \$18 million and \$79 million. In 2001, an IRS settlement of \$42 million reduced taxes. Nondeductible goodwill amortization in 2001 was \$9 million, which was added back to reported profits. Tax credits in 2003, 2002 and 2001 were \$4 million per year. Reported total federal and state tax benefits from stock options were \$1 million, \$8 million and \$3 million in 2003, 2002 and 2001.

**MBNA:** U.S. profits in the study reflect an adjustment for the current U.S. effect of charges booked to increase reserves for potential future credit losses, which increased reported profits in 2003, 2002 and 2001. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$78 million, \$150 million and \$69 million.

**McDonald's:** Worldwide restructuring costs charged against income were \$408 million, \$853 million and \$378 million in 2003, 2002 and 2001, of which \$58 million, \$145 million and \$35 million (excluding the 2001 nontaxable gain from the company's Japanese IPO) were permanently nondeductible. The study adjusted reported pretax profits between 2001 and 2003 for (a) the domestic share of the nondeductible expenses, (b) the domestic share of the current effect of those charges and (c) nondeductible goodwill amortization. The aggregate effect of (a), (b) and (c) on reported profits was a reduction in reported profits in 2003 and increases in 2002 and 2001. Reported federal and state tax benefits from stock options were \$21 million, \$61 million and \$70 million.

**McGraw Hill:** In 2001, a restructuring charge of \$159 million was booked. \$40 million of the charge was permanently nondeductible (and non-cash) and was added back to reported profits. The remaining \$119 million was divided geographically and its current effects allocated to reduce reported profits in 2002 and increase them in 2001. Nondeductible goodwill amortization in 2001 was \$25 million, which was added back to reported profits. The high tax rate in 2003 reflects a turnaround in deferred taxes related to accelerated depreciation. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$9 million, \$18 million and \$19 million.

**McKesson:** The company's fiscal years end in March following the listed years. Restructuring charges for workforce reduction and exiting facilities have been recorded annually since 1999. These charges were geographically divided and allocated to reduce reported profits in 2003 and 2002 and increase profits in 2001. Calculated total federal and state tax benefits from stock options were \$16 million, \$15 million and \$31 million in 2003, 2002 and 2001. AMT payments in 2002 and 2001 of \$16 million and \$23 million were fully reversed in 2003 as the company utilized all of its \$39 million in AMT credit carryforwards to reduce its tax bill. The most common component of deferred taxes reported between 2001 and 2003 involved inventory valuation, which generated tax savings of \$60 million, \$162 million and \$43 million.

**Medtronic:** The company's fiscal years end in April following the years listed. As reported by the company, current taxes include federal and state portions. The study separated state taxes from federal taxes. Nondeductible expenses in 2003, 2002 and 2001, mostly for in-process acquired R&D, were \$40 million, \$127 million and \$266 million, which were added back to reported profits. In 2002 and 2001 the company acquired Spinal Dynamics Corp. and MiniMed, Inc. The acquisitions generated in-process R&D charges, which were nondeductible for tax purposes and added back to reported pretax profits. R&D credits were \$14 million per year in 2003, 2002 and 2001. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$55 million, \$48 million and \$42 million. The company's tax rates between 2001 and 2003 reflect taxes deferred in all three years (listed as "Other" deferred tax liabilities) plus the use of tax benefits in 2002 that previously were deferred.

**Mellon Financial:** In computing U.S. pretax profits, the study adjusted for (a) the current effect of charges booked for anticipated future credit losses; (b) the current tax effect of certain book expenses between 2001 and 2003 and (c) nondeductible goodwill amortization in 2001. The aggregate effects of (a), (b) and (c) reduced reported U.S. pretax profits in 2003 and increased them in 2002 and 2001. Calculated total federal and state tax benefits from stock options were \$9 million, \$8 million and \$30 million. The low tax rate in 2003 also reflected the utilization of tax benefits deferred in the past.

**Merck:** To correct an anomaly in the company's reporting, the study re-estimated U.S. pretax profits, for 2003 only, using the following formula:  $[(a)/(b)] \times (c)$ ; where (a) is the average of the U.S. share of worldwide plant, property and equipment assets in 2003 and the U.S. share of worldwide sales in 2003, (b) is the average of those percentages in 2002 and (c) is the reported U.S. share of worldwide pretax profits in 2002. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$168 million, \$83 million and \$153 million.

**Merrill Lynch:** The company paid only 38 percent of the 35 percent statutory corporate tax rate over the 2001-2003 period. Most of the \$1.8 billion it did not pay stemmed from reported total federal and state tax benefits from stock options, which in 2003, 2002 and 2001 saved the company \$430 million, \$196 million and \$790 million. Tax-exempt income, including untaxed dividend income, lowered taxes in 2003, 2002 and 2001 by \$165 million, \$140 million and \$119 million. Reported U.S. pretax

profits were adjusted to reflect only the current effects of a \$1.8 billion restructuring charge recorded in 2001, which reduced reported profits in 2003 and 2002 and increased them in 2001.

**Metlife:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on current foreign income taxes reported. In 2001, the company booked charges of \$499 million and \$208 million. The first was for restructuring and the second was for potential insurances losses following September 11<sup>th</sup>. The study adjusted U.S. pretax profits between 2001 and 2003 to reflect the current effect of these charges, which reduced U.S. pretax profits in 2003 and 2002 and increased them in 2001. U.S. pretax profits were also adjusted between 2001 and 2003 for claims and amortization expenses booked but not yet deducted for tax purposes, which reduced U.S. pretax profits in 2003 and increased them in 2002 and 2001.

**MGM Mirage:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported current foreign taxes. Various charges, including restructuring and a September 11<sup>th</sup> charge, were booked against income between 2000 and 2003. Not all those charge were used in the years when they were announced. Pretax profits were adjusted to reflect the current effect of those charges, which increased profits in 2003 and 2001 and reduced profits in 2002. Utilization of NOL carryforwards reduced taxes in 2003, 2002 and 2001 by \$3 million, \$19 million and \$87 million. Utilization of AMT credit carryforwards reduced taxes in the same three years by \$6 million, \$44 million and \$8 million. Utilization of general business credit carryforwards lowered taxes in 2003 by \$11 million. At year end 2003, the company had \$6 million in NOL carryforwards available to reduce future taxes. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$10 million, \$18 million and \$2 million.

**Microsoft:** The company's fiscal years end in June following the listed years. The company does not distinguish state from federal income taxes (the study thus treats all reported taxes as federal). Reported federal stock option tax benefits were the largest source of tax relief, saving the company \$1.3 billion, \$1.6 billion and \$2.1 billion in 2003, 2002 and 2001.

**Mohawk Industries:** Nondeductible goodwill amortization was added back to reported profits in 2001. Tax credits for 2003, 2002 and 2001 reduced taxes by \$2 million, \$5 million and \$5 million. Reported total fed and state stock option tax benefits were \$9 million, \$5 million, and \$5 million in 2003, 2002 and 2001.

**Morgan Stanley:** The company's fiscal years end in November of the years listed. It is common business practice for the company to record charges for anticipated, future credit losses on an annual basis. In computing U.S. pretax profits, the study adjusted reported U.S. pretax profits for the current effect of those charges, which increased reported profits. The high tax rate in 2001 reflects additional taxes paid for commission income that in the past was booked for accounting purposes but had not yet been recognized for taxes. The low tax rate in 2003 was affected by the deduction of compensation expenses booked in the past but not deductible for tax purposes until 2003 and tax deferrals related to "Other" deferred tax liabilities. Federal and state tax benefits from stock compensation transactions, as reported, for

2003, 2002 and 2001 were \$333 million, \$282 million and \$460 million. Federal tax credits lowered taxes by \$283 million, \$113 million and \$51 million in 2003, 2002 and 2001.

**Nash Finch:** In 2003, the company lowered its taxes by using tax benefits previously deferred. In 2002, tax savings from accelerated depreciation were the largest component of deferred taxes. Nondeductible goodwill amortization was added back to reported pretax profits in 2001.

**Nationwide:** The company did not make a distinction between federal and state taxes, so our federal tax figures include both. Tax-exempt income, including some dividend income, represented tax savings of \$50 million, \$40 million and \$49 million in 2003, 2002 and 2001. Tax credits in those same years were \$13 million, \$14 million and \$12 million. The high tax rate in 2002 reflects a turnaround of deferred taxes related to "deferred policy acquisition costs."

**NCR:** The study added back nondeductible goodwill amortization to reported U.S. pretax profits in 2003, 2002 and 2001. It is not clear how the company avoided all of its taxes in 2003 and 2002, but the negative tax rate for 2001 was largely due to an IRS tax settlement of \$138 million. Calculated total federal and state tax benefits from stock options were in 2001 were \$11 million.

**New York Times:** In computing U.S. pretax profits for 2003, the study estimated foreign pretax profits based on reported current foreign taxes. Nondeductible goodwill amortization was \$26 million in 2001, which was added back to calculated U.S. profits. Negative deferred taxes reported for 2001 stemmed from a turnaround in deferred taxes related to accelerated depreciation and taxes previously owed on joint-venture income. Reported total federal and state tax benefits from stock options were \$13 million, \$27 million and \$31 million in 2003, 2002 and 2001.

**Newell Rubbermaid:** The company has a history of restructuring charges dating back to 1999 when Newell and Rubbermaid merged. In 2000, an additional charge was recorded to increase the original reserve. Further restructuring charges were booked between 2001 and 2003 for operating efficiency and layoffs. None of the charges booked were completed in their respective years of announcement. For the study's purpose, the charges were divided geographically and allocated to U.S. pretax profits based on the current effect of those charges, which increased reported profits in 2003, 2002 and 2001. In 2003, the company recorded a \$242 million charge to revalue some of its businesses to fair value, of which \$172 million was not deductible for tax purposes and added back to reported profits. In 2001, nondeductible goodwill amortization was \$40 million, which was added back to pretax profits.

**Nike:** The company's fiscal years end in May following the years listed. Federal and state tax benefits from stock options lowered taxes in 2003, 2002 and 2001 by \$47 million, \$13 million and \$14 million.

**NiSource:** U.S. pretax profits for 2001 were adjusted by \$94 million for nondeductible goodwill amortization. The tax rate for 2001 was high, reflecting negative deferred taxes, including a turnaround in deferred taxes related to unrecovered gas and fuel costs. Investment tax credits lowered taxes in 2003, 2002 and

2001 by \$8 million, \$9 million and \$9 million. Affordable-housing credits reduced taxes in 2003, 2002 and 2001 by \$7 million, \$5 million and \$5 million. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$1 million, \$1 million and \$2 million.

**Nordstrom:** The company's fiscal years end in January following the years listed. The company's foreign operations are very small and for the study's purpose it was assumed that all operations are domestic.

**Norfolk Southern:** The Jobs and Growth Tax Reconciliation Act of 2003 and Job Creation and Worker Assistance Act of 2002 enables companies to take larger tax deductions for accelerated depreciation until 2004 than what is normally permitted. For 2002 and 2003, accelerated depreciation was the company's largest source of tax relief, causing a 75 percent reduction in its taxes owed in those two years. By comparison, accelerated depreciation cut the company's taxes by "only" 29 percent in 2001 and 2000. Reported federal and state tax benefits from stock options were minimal, representing tax savings of \$2 million, \$6 million and \$1 million in 2003, 2002 and 2001.

**Nucor:** A major source of the company's tax rebate in 2003 dates back to activities in 2000. Based on an *Environment News Service* article dated December 2000, the company apparently settled with the Environmental Protection Agency and the Department of Justice over allegations of ground and water pollution at fourteen of the company's plants. The targeted settlement cost was \$100 million, but the impact on 2000's financials was only \$85 million, of which \$13 million were penalties. In 2003, the company reversed \$31 million of the related reserves, representing a tax reduction of \$11 million or almost half of its tax obligation in that year. Accelerated depreciation also contributed to 2003's tax rebate, saving the company \$36 million. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$3 million, \$1 million and \$3 million.

**NVR:** Nondeductible amortization of goodwill in 2001 was \$7 million, which was added back to reported profits. Federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$110 million, \$101 million and \$17 million.

**OGE Energy:** Over the three-year period ending 2003, the company achieved higher profitability while paying lower taxes. The chief mechanism used was accelerated depreciation, which, except in 2002 when there was a tax turnaround, wiped out the entire 2003 tax bill and reduced 2001's tax bill by 44 percent. Nondeductible amortization of goodwill was added back to reported U.S. pretax profits in 2001. Tax credits in 2003, 2002 and 2001 lowered taxes by \$5 million, \$5 million and \$9 million.

**Old Republic International:** The company did not distinguish between federal and state taxes in its financial reports, so all taxes were treated as federal in the study. Tax-exempt income, including dividend income, cut the company's taxes in 2003, 2002 and 2001 by \$19 million, \$20 million and \$19 million. The company's largest source of deferred taxes was "mortgage guaranty insurers' contingency reserves." Calculated federal tax benefits from stock options in 2002 and 2001 were \$8 million and \$3 million.

**Omnicare:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported current foreign income taxes. The company announced in 2001 that it planned to lay-off 5 percent of its workforce, prompting a restructuring charge in that year and an additional charge in 2002. Not all of the charges booked in 2002 and 2001 were fully used in their respective year of announcement. The study adjusted U.S. pretax profits for the current effect of those charges, which reduced U.S. profits in 2003 and increased them in 2002 and 2001. Nondeductible goodwill amortization was added back to U.S. pretax profits in 2001. The company's largest source of tax relief between 2001 and 2003 was accelerated amortization of intangible assets, which saved the company \$62 million, \$24 million and \$22 million. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$15 million, \$1 million and \$5 million.

**Omnicom:** Nondeductible goodwill amortization in 2001 was \$74 million, which was added back to reported profits. Reported total federal and state tax benefits from stock options were \$16 million, \$14 million and \$17 million in 2003, 2002 and 2001.

**Oracle:** The company's fiscal years end in May following the years listed. The high tax rate in 2001 reflects negative deferred taxes reported in that year, which stemmed from a turnaround in U.S. deferred taxes related to Oracle Japan's IPO on the Tokyo Exchange. Reported total federal and state tax benefits from stock options were \$110 million in 2003 and 2002 per year and \$44 million in 2001.

**Oxford Health Plans:** The high tax rate in 2002 reflects legal expenses accrued for book purposes in 2002, but not yet paid out for tax purposes until 2003. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$8 million, \$38 million and \$12 million.

**Pacificare:** In computing pretax profits, reported pretax profits were adjusted for medical expenses that were booked but not yet tax deductible in 2003 and nondeductible amortization of goodwill in 2001. The adjustments increased reported U.S. pretax profits in 2003 and 2001. Federal and state tax benefits from stock options were \$18 million, \$1 million and \$21,000 in 2003, 2002 and 2001.

**Parker Hannifin:** The company's fiscal years end in June of the years listed. In computing U.S. pretax profits, the study (a) estimated foreign pretax profits based on reported current foreign income taxes, (b) adjusted reported U.S. pretax profits for nondeductible goodwill amortization between 2001 and 2003 and (c) adjusted reported U.S. pretax profits for the \$33 million nondeductible portion of a \$40 million goodwill write-off charge in 2002. In 2003, the company used \$18 million in NOL carryforwards and deferred another \$18 million due to accelerated depreciation. At year end 2003, the company had \$53 million in NOL carryforwards available to reduce future taxes. In 2002 and 2001, most of the deferred taxes reported stemmed from accelerated depreciation. Reported total federal and state tax benefits from stock options for 2003 and 2001 were \$2 million and \$9 million. Export tax credits lowered taxes in 2003, 2002 and 2001 by \$4 million, \$9 million and \$13 million.

**Pepco Holdings:** The company was the product of the merger of Pepco Company and Connectiv. The merger was announced in 2001 and completed in 2002. Accelerated depreciation tax savings were \$243 million, \$1.1 billion and \$11 million in 2003, 2002 and 2001.

**Pepsi Bottling:** Nondeductible goodwill amortization costs in 2003, 2002 and 2001 of \$36 million, \$19 million and \$49 million were added back to reported profits. Federal and state tax benefits from stock option lowered taxes in 2003, 2002 and 2001 by \$8 million, \$42 million and \$8 million. In 2003 and 2002, accelerated depreciation saved the company \$172 million and \$330 million in taxes. In 2001, utilization of NOL carryforwards lowered taxes by \$18 million.

**PepsiAmericas:** Whitman Corp. and PepsiAmericas, Inc. merged in 2000. Restructuring charges followed in 2000 and 2001 to integrate both companies. In computing U.S. profits, the study adjusted reported U.S. pretax profits for the current effect of the charges, which reduced reported profits in 2002 and 2001. Nondeductible goodwill amortization was \$46 million in 2001, which was added back to reported profits. Between 2001 and 2003 the company deferred 47 percent of its taxes that would have been due at the 35 percent corporate tax rate. Accelerated depreciation was the primary reason for deferred taxes reported in 2003 and 2002. It is not clear how the company deferred a bulk of its taxes in 2001 based on the company's limited disclosure. The company benefitted from a tax credit of \$6 million from the IRS following a settlement of ESOP issues in 2003.

**PepsiCo:** Pretax profits in 2002 and 2001 were adjusted for the current effect of restructuring charge booked in 1998, which reduced reported pretax profits. Integration charges of \$59 million, \$224 million and \$239 million were recorded in 2003, 2002 and 2001 following the acquisition of Quaker Oats in 2001. The nondeductible portions of these charges were \$5 million, \$44 million and \$91 million, which were added back to reported pretax profits. The study also adjusted reported pretax profits in 2003, 2002 and 2001 for the current effect of the integration charges recorded, which reduced pretax profits in 2003 and increased profits in 2002 and 2001. Reported total federal and state tax benefits from stock options were \$340 million, \$136 million and \$207 million.

**Performance Food Group:** Pretax profits were adjusted for (a) nondeductible goodwill amortization in 2001 and (b) the current effect of reserves established in 2001 for the acquisition of Fresh International Corp. The aggregate effects of (a) and (b) were reduced profits in 2003 and 2002 and increased profits in 2001. Reported total federal and state tax benefits from stock options were \$4 million, \$3 million and \$2 million in 2003, 2002 and 2001. The tax rate in 2003 reflects tax savings from accelerated depreciation of \$18 million.

**Peter Kiewit Sons':** Accelerated depreciation saved the company \$1 million and \$10 million in 2002 and 2001 (\$2 million of that was reversed in 2003). The company also used tax benefits that were deferred in the past to reduce its taxes in 2002 and 2001. In 2003, the company's joint ventures deferred tax payments by \$15 million.

**Pfizer:** For 2003, the study adjusted the company's reported U.S. pretax loss for: (a) nondeductible in-process R&D costs of \$5.1 billion related to the acquisition of Pharmacia Corporation; (b) an as yet unpaid settlement of \$1.3 billion related to product liability lawsuits (Rezulin and Neurotonin drugs); (c) the unused, domestic portion of a restructuring charge following the Pharmacia acquisition and (d) the actual expensing of reserves related to the company's 2000 acquisition of Warner-Lambert Corporation. (a), (b), (c) and (d) increased reported 2003 profits. The study also adjusted 2002 and 2001 profits for (d), which increased reported U.S. profits in those years. The negative tax rate in 2003 was after reported total federal and state stock option tax benefits of \$238 million. For 2002 and 2001 those tax benefits were \$238 million and \$395 million. Tax credits lowered worldwide taxes in 2003, 2002 and 2001 by \$101 million, \$130 million and \$80 million.

**Pitney Bowes:** Restructuring charges were booked in 2003 and 2001. The study geographically divided those charges and allocated the current effect to increase reported profits in 2003 and 2001 and reduce profits in 2002. The company's leasing business was its largest source of tax relief, generating tax savings of \$175 million, \$120 million and \$79 million. Federal tax credits reduced taxes by \$6 million, \$9 million and \$2 million in 2003, 2002 and 2001. Tax-exempt income represented tax savings during the same three years of \$4 million, \$6 million and \$8 million. Reported total federal and state tax benefits from stock options were \$4 million, \$1 million and \$4 million in 2003, 2002 and 2001.

**PNC:** A \$1.2 billion charge booked in 2001 to write off high-risk and nonperforming loans significantly influenced the company's taxes between 2001 and 2003. The company recorded deferred tax benefits at year-end 2001 to reflect the portion of the charge yet to be liquidated, which were used to lower taxes significantly in 2002 and to a lesser degree in 2003. The other major factor affecting the company's taxes was the company's leasing business, which saved the company \$39 million, \$190 million and \$358 million in 2003, 2002 and 2001. The company records annual charges for anticipated, future bad loans, which are not necessarily fully utilized when they are announced. The study adjusted reported pretax profits for the current effect of those charges, which reduced reported profits in 2003 and 2001 and increased profits in 2002. The study also added back nondeductible goodwill amortization to 2001's reported pretax profits. Tax credits in 2003, 2002 and 2001 were \$40 million, \$45 million and \$43 million. Life-insurance income that was booked but are not taxed led to tax savings of \$21 million, \$20 million and \$20 million. Reported total federal and state tax benefits from stock options were \$6 million, \$9 million and \$40 million in 2003, 2002 and 2001.

**PPG Industries:** The company reported domestic and total pretax losses for 2002, which were impacted by a \$755 million charge to cover future asbestos litigation (this was not a legal fine). For tax purposes, the charge is not deductible until paid and the study added back the charge to the reported U.S. pretax loss in 2002. In 2003, 2002 and 2001 restructuring charges were recorded. The study divided these charges geographically and allocated to reduce reported profits in 2003 and 2002 and increase reported profits in 2001.

**PPL:** In computing U.S. pretax profits, the study (a) estimated foreign pretax profits between 2001 and 2003 based on reported current foreign income taxes and (b) adjusted profits for a \$150 million cancellation charge related to undeveloped facilities in Pennsylvania and Washington state that accrued in 2001, but was not paid until 2002. The effect of (b) on U.S. pretax profits was a decrease in 2002 and an increase in 2001. Federal tax credits, including Section 29 alternative fuel tax credits, reduced taxes by \$52 million, \$50 million and \$40 million. Investment tax credits in 2003, 2002 and 2001 by \$15 million. Calculated total federal and state tax benefits from stock options were \$4 million; \$264,000 and \$4 million in 2003, 2002 and 2001.

**Praxair:** In 2003, \$23 million of AMT was offset by U.S. tax credits, primarily from capital loss carryforwards. A tax settlement with the IRS lowered the company's 2003 tax bill by \$10 million. In 2002 and 2001, U.S. tax credits lowered taxes by \$4 and \$12 million. Reported federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$24 million, \$23 million and \$20 million. The study divided restructuring charges booked in 2000 and 2001 geographically and adjusted pretax profits between 2001 and 2003 for the actual expensing of those charges, which reduced reported profits in 2003, 2002 and 2001.

**Principal Group:** The company's tax figures in the study include its current tax savings from capital losses, which the company stated separately. In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported current foreign income taxes. Between 2001 and 2003, the company deferred 80 percent of its taxes. Deferred taxes reported during the period stemmed from taxes deferred on unrealized gains on stock sales and "mortgage loan servicing rights." In 2002, a settlement with the IRS cut the company's taxes by \$113 million.

**Procter & Gamble:** The company's fiscal years end in June of the listed years. The company has been recording restructuring charges since 1999. The study divided the restructuring charges geographically and their current effects were allocated increasing reported profits in 2003 and 2001 and lowering reported profits in 2002. Utilization of NOL carryforwards reduced taxes in 2003, 2002 and 2001 by \$143 million, \$62 million and \$3 million. At fiscal year end 2003, the company still had available \$1.1 billion in NOL carryforwards to reduce future taxable income. Accelerated depreciation saved the company \$65 million, \$17 million and \$130 million in 2003, 2002 and 2001. Calculated total federal and state tax benefits from stock options for the years just mentioned were \$144 million, \$132 million and \$84 million.

**Progressive:** The company does not separate federal and state taxes in its financial reports, so the study treated all taxes as federal. A 2003 settlement with the IRS will cut the company's taxes by \$58 million in the future (plus \$31 million in interest). In 2002, the company reported negative deferred taxes, stemming from tax benefits not yet deductible. Tax-exempt income, including dividend income, lowered taxes in 2003, 2002 and 2001 by \$44 million, \$29 million and \$27 million. Reported federal tax benefits from stock options in 2003, 2002 and 2001 were \$44 million, \$19 million and \$24 million.

**Prudential Financial** Profit figures were adjusted in the study to disallow permanently nondeductible, non-cash book "expenses"

of \$686 million (mostly demutualization costs) and \$114 million in 2001 and 2002.

**Public Service Enterprise Group:** The company's operations are primarily U.S., but the study estimated foreign pretax profits for 2002 and 2001, years in which minor foreign taxes were reported. Restructuring charges were booked in 2003 and 2002. The study divided the charge geographically and allocated the current effect of those charges, which increased U.S. profits in 2003 and 2002. In 2003, tax savings related to derivative contracts, leasing and accelerated depreciation offset all taxes owed and helped generate a tax rebate.

**Publix:** The company recorded a \$30 million charge to shut down its Internet business in 2003. Not all of the charge was spent in 2003. Pretax profits were adjusted for the unused portion of the related reserve, which increased reported 2003 profits. Tax savings from accelerated depreciation in 2003, 2002 and 2001 were \$60 million \$77 million and \$32 million.

**Pulte Homes:** To arrive at a U.S. pretax profit figure, the study subtracted from reported domestic revenues (a) reported domestic cost of goods sold expenses; (b) reported domestic selling, general and administrative expenses; (c) reported domestic interest expenses and (d) reported domestic "Other" expenses and added (e) reported domestic share of joint-venture and equity income. The company reported negative deferred taxes for 2001, which stemmed from the accumulation of deductions booked but not yet recognized for tax purposes. Reported federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$29 million, \$25 million and \$5 million.

**Quest Diagnostics:** Reported U.S. pretax profits were adjusted for nondeductible goodwill amortization in 2001. The company's lower-than-statutory tax rates between 2001 and 2003 were largely influenced by reported federal and state tax benefits from stock options of \$30 million, \$45 million and \$72 million in 2003, 2002 and 2001.

**Radio Shack:** In 2001, the company recorded a loss of approximately \$31 million related to its investment in Digital Convergence Corp. The loss was not realized until 2002. Pretax profits were adjusted in 2002 and 2001 for the current effect of the loss. Nondeductible goodwill amortization in 2002 and 2001 was \$8 million and \$39 million, which was added back to reported profits. Reported federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$20 million, \$1 million and \$1 million.

**Raytheon:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported current foreign income taxes. Other adjustments made to U.S. profits included: (a) the current effect of a restructuring charge booked prior to 2000, (b) nondeductible portion (\$373 million) of a 2002 write-off charge of goodwill (\$545 million) and (c) nondeductible amortization of goodwill in 2001 (\$311 million). During the three year period between 2001 and 2003, the company deferred almost half of its tax bill. Calculated federal tax benefits from stock options in 2002 and 2001 were \$24 million and \$4 million.

**Reebok:** The company reported a beginning year balance for restructuring reserves for 1997. Since then, numerous additional

restructuring charges were recorded between 1998 and 2002. The study divided the charges geographically and allocated their current effect to reduce reported profits in 2003, 2002 and 2001. The negative tax rates for 2003 and 2001 reflect tax benefits from stock options. Reported total federal and state tax benefits from stock options were \$9 million, \$4 million and \$8 million in 2003, 2002 and 2001.

**Regions:** In computing U.S. pretax profits, the study subtracted from reported U.S. pretax profits (a) the current effect of charges booked for future bad loans between 2001 and 2003 and (b) nondeductible goodwill amortization. Both adjustments increased reported profits. Tax credits lowered taxes in 2003, 2002 and 2001 by \$26 million, \$21 million and \$18 million. The company generates nontaxable income which produced tax savings of \$11 million, \$14 million and \$17 million. Utilization of NOL carryforwards lowered taxes in 2001 by \$5 million. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$6 million, \$7 million and \$5 million in 2003, 2002 and 2001.

**Reliant Resources:** In 2003, the sale of the company's Desert Basin plant triggered a book non-cash goodwill impairment charge of \$985 million. However the charge was not deductible for tax purpose, prompting the study to reverse the charge. In 2002, accelerated depreciation erased the company's tax bill and explains the company's tax rebate. Nondeductible goodwill amortization was added back to reported U.S. pretax profits in 2001.

**Rockwell Automation:** The company's fiscal years end in September following the years listed. In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported current foreign taxes. The current effect of a realignment charge that was recorded in 2001 was allocated to reduce calculated U.S. pretax profits in 2003 and 2002 and increase them in 2001. Nondeductible goodwill amortization was added back to calculated U.S. pretax profits in 2001. In 2003, a tax settlement with the IRS regarding past R&D credits cut taxes by \$65 million. According to the company, other tax refund settlements lowered its taxes in 2003, 2002 and 2001 by \$4 million, \$14 million and \$22 million. Accelerated depreciation tax savings in 2002 were \$10 million. Reported total federal and state tax benefits from stock options were \$21 million, \$6 million and \$14 million in 2003, 2002 and 2001. In all three years, the company's tax rates were very low but it is not clear how the company achieved this.

**Ross Stores:** The company's fiscal years end in January following the years listed. Tax savings from accelerated depreciation were \$39 million, \$21 million and \$10 million in 2003, 2002 and 2001. Reported total federal and state tax benefits from stock options were \$15 million, \$17 million and \$12 million in 2003, 2002 and 2001.

**Ryder:** No federal taxes were paid between 2001 and 2003. Accelerated depreciation tax savings halved the company's tax bill in 2003 and offset the entire amounts owed in 2002 and 2001. In 2003, utilization of NOL carryforwards lowered taxes by approximately \$11 million. At year-end 2003, the company had available \$177 million in NOL carryforwards and \$31 million in AMT credit carryforwards to reduce future taxes. Reported total

federal and state tax benefits from stock options lowered taxes in 2003, 2002 and 2001 by \$5 million; \$3 million and \$0.7 million.

**Ryland Group:** Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$17 million, \$12 million and \$8 million.

**Saks:** The company's fiscal years end in January following the years listed. The company did not pay any taxes between 2001 and 2003. Utilization of NOL carryforwards reduced taxes by \$63 million in 2003, which exceeded the company's tax liability in that year. In 2003, the company's tax bill was reduced by \$11 million from a tax settlement with the IRS. Nondeductible goodwill amortization was \$46 million and \$9 million in 2002 and 2001, which was added back to reported profits. Reported total federal and state tax benefits from stock options in 2003 and 2002 were \$5 million and \$1 million.

**Sara Lee:** The company's fiscal years end in June of the years listed. Based on what the company reported, it generated 58 percent, 61 percent, 56 percent and 57 percent of its revenues from the U.S. in 2003, 2002, 2001 and 2000. Based on what the company reported, it generated 17 percent, 19 percent, 58 percent and 62 percent of its pretax profits from the U.S. in those same years. The ratio of U.S. percentage share of sales to U.S. percentage share of pretax profits for 2003 and 2002 is not believable. Thus the study calculated U.S. pretax profits for 2003 and 2002 by multiplying (A) by (B) whereby (A) was the following ratio: "U.S. percentage share of worldwide sales in 2001/U.S. percentage share of worldwide pretax profits in 2001" and (B) was reported total pretax profit either in 2003 and 2002, respectively.

**SBC Communications:** The company reported a tax rebate for 2003. As was the case in 2002, accelerated depreciation was the primary source of tax relief in 2003. In 2003 and 2002, accelerated depreciation saved the company \$4.3 billion and \$2.5 billion. Investment tax credits lowered taxes in 2003, 2002 and 2001 by \$24 million, \$30 million and \$44 million. Calculated total federal and state tax benefits from stock options were \$12 million, \$40 million and \$97 million in 2003, 2002 and 2001.

**Sears:** Starting in 2001, the company began a series of charge-offs to write off leases to Homelife Corporation, (which filed for bankruptcy); exit the cosmetics business and streamline its operations. The study divided these charges geographically and adjusted pretax profits to reflect the real timing of these expenses. As a result, reported profits in 2002 decreased and profits in 2001 increased. Negative deferred taxes reported for 2002 were from turnarounds in deferred taxes related to accelerated depreciation and unrealized investment gains. Reported total federal and state tax benefits from stock options were \$25 million, \$24 million and \$14 million in 2003, 2002 and 2001.

**Sempra Energy:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on current foreign. Over the 2001-03 period, tax credits, which include affordable-housing and Section 29 alternative fuel tax credits, cut the company's tax bill by 64 percent. On an annual basis those tax credits were \$168 million, \$133 million and \$100 million in 2003, 2002 and 2001. At the end of 2003, the company had \$192 million in affordable-housing credit carryforwards and \$74 million in AMT credit

carryforwards to reduce future taxes. Settlements with the IRS reduced taxes in 2003 and 2002 by \$83 million and \$26 million.

**Shaw Group:** Since 2000, the company has not paid any federal income taxes, but instead has deferred all of its taxes. The study added back nondeductible goodwill amortization to reported profits in 2001. Reported total federal and state tax benefits from stock options were \$0.7 million and \$7 million in 2002 and 2001. R&D tax credits lowered taxes by \$2 million and \$5 million in 2003 and 2002. Utilization of NOL carryforwards lowered taxes by \$15 million in 2002. At year end 2003, the company had NOL carryforwards of \$83 million and R&D credit carryforwards of \$7 million to lower future taxes.

**Sherwin-Williams:** The company's ESOP generated tax benefits of \$25 million, \$22 million and \$23 million in 2003, 2002 and 2001. Accelerated depreciation saved the company \$21 million and \$13 million in 2003 and 2001. Federal and state tax benefits from stock options, as calculated, were \$8 million, \$3 million and \$3 million in 2003, 2002 and 2001.

**Smith International:** Accelerated depreciation tax savings and the use of tax benefits previously deferred combined to generate a tax rebate in 2002. Calculated total federal and state tax benefits from stock options were \$9 million, \$2 million and \$1 million in 2003, 2002 and 2001.

**Sonic Automotive:** Nondeductible goodwill amortization was \$5 million in 2001, which was added back to reported profits. Reported total federal and state tax benefits from stock options were \$5 million, \$4 million and \$7 million in 2003, 2002 and 2001.

**Southern:** Collectively, Section 29 alternative fuel tax credits, investment tax credits and the tax treatment of dividends paid to the company's ESOP are responsible for lowering the company's tax bill between 2001 and 2003 by about 25 percent. Most of the taxes the company has avoided reflects accelerated depreciation, particularly in 2003 and 2002. Total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$30 million, \$23 million (reported) and \$8 million (calculated).

**Southwest Airlines:** During the three-year period, the company deferred 76 percent of its tax bill and reported a tax rebate in 2002. Reported deferred taxes were primarily from accelerated depreciation. Reported total federal and state tax benefits from stock options were \$41 million, \$39 million and \$54 million in 2003, 2002 and 2001.

**SPX:** It is unclear how the company deferred 76 percent of its tax bill between 2001 and 2003. The negative tax rate in 2002 was after calculated total federal and state tax benefits from stock options, which were \$0.3 million; \$16 million and \$8 million in 2003, 2002 and 2001.

**Starbucks:** In computing U.S. pretax profits, the study adjusted reported domestic operating income for (a) interest income, (b) gain on investment sale and (c) losses on Internet investments. It was assumed that (a), (b) and (c) were all domestic. Reported total federal and state tax benefit from stock options in 2003, 2002 and 2001 were \$37 million, \$44 million and \$31 million.

**State Street:** Between 2001 and 2003, the company deferred most of its tax obligations. The largest component of deferred taxes during the period was from the company's leasing business, which the company states was mostly foreign but may have affected federal taxes.

**Stryker:** The company booked a charge in 2002 for layoffs that wasn't fully utilized in that year. The study allocated the current effect of the charge to 2003 and 2002, which reduced pretax profits in 2003 and increased in 2002. Reported federal and state tax benefits from stock options were \$36 million, \$23 million and \$10 million in 2003, 2002 and 2001. Tax benefits from the company's operations in Puerto Rico and Ireland reduced worldwide taxes by \$57 million, \$40 million and \$29 million in 2003, 2002 and 2001.

**Suntrust:** In computing pretax profits, the study adjusted pretax profits between 2001 and 2003 for the current effect of charges taken for anticipated, future credit losses, which increased reported profits in 2003 and 2002 and reduced profits in 2001. The company's leasing business lowered taxes by \$115 million, \$127 million and \$114 million in 2003, 2002 and 2001. Accelerated depreciation saved the company \$31 million and \$27 million in 2003 and 2002 and turned around to increase taxes by \$10 million in 2001. Tax credits, including affordable-housing credits, lowered taxes in 2003, 2002 and 2001 by \$40 million, \$51 million and \$17 million. Non-taxable interest income produced tax savings of \$32 million, \$29 million and \$30 million. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$6 million, \$5 million and \$9 million.

**Supervalu:** The company's fiscal years end on the last of February following the year listed in the study. Nondeductible goodwill amortization was \$19 million and \$44 million in 2003 and 2001, which were added back to reported pretax profits. The company recorded a restructuring charge in 2001 and restructuring and impairment charges in 2000. Pretax profits were adjusted for the current effect of those charges, which reduced reported profits in 2003, 2002 and 2001. Tax credits lowered taxes in 2003, 2002 and 2001 by \$2 million, \$1 million and \$750,000. IRS settlements lowered taxes in 2003 and 2001 by \$2 million and \$5 million. Calculated total federal and state tax benefits from stock options were \$281,000; \$12 million and \$1 million in 2003, 2002 and 2001.

**Sysco:** The company's fiscal years end in June of the years listed. Minor adjustments were made to reported federal and reported state taxes to separate current from deferred taxes. Between 2001 and 2003, the company's tax rates drastically declined as its ability to defer taxes improved. The bulk of the company's tax deferrals in 2003 and 2002 were related to "deferred supply chain distributions" and "deferred cooperative distributions." Calculated total federal and state tax benefits from stock options were \$19 million, \$17 million and \$18 million in 2003, 2002 and 2001.

**Target:** Accelerated depreciation saved the company \$208 million, \$211 million and \$59 million in 2003, 2002 and 2001. Work opportunity tax credits in the same years were \$6 million, \$5 million and \$4 million. Reported total federal and state stock option tax benefits in 2003, 2002 and 2001 were \$28 million, \$26 million and \$63 million.

**Tech Data:** The company's fiscal years end in January following the years listed in the study. Negative deferred taxes reported for 2001 reflect a combination of taxes paid due to a turnaround in accelerated depreciation and the accumulation of tax benefits deferred for future use. Reported total federal and state tax benefits from stock options were \$4 million, \$6 million and \$7 million in 2003, 2002 and 2001.

**Textron:** The dividends the company pays out to its ESOP are tax deductible. Those dividends saved the company \$9 million and \$18 million in taxes in 2003 and 2002. The company reached agreement with the IRS over certain taxes, which resulted in a tax reduction of \$13 million and \$12 million in 2003 and 2002. The company sold off its Automotive Trim business in 2001. The sale generated nondeductible book expenses of \$21 million and \$31 million in 2002 and 2001, which were added back to reported profits. Pretax profits were also adjusted for nondeductible goodwill amortization in 2001, which increased reported profits, and the current effect of restructuring charges booked between 2000 and 2003, which increased pretax profits in 2003 and 2001 and reduced profits in 2002.

**3M:** A reserve for restructuring activities was established in 1998. The reserve was exhausted by 2002. The study divided the 1998 charge geographically and reduced pretax profits in 2001 and 2002 for the actual expensing of the reserve. The company also booked restructuring charges in 2001 and 2002 to reduce its workforce and write-off assets. Not all of the charges were spent in the years they were announced. The study adopted the same treatment for the 2001 and 2002 charges as for the 1998 charge, resulting in adjustments to pretax profits between 2001 and 2003. The negative tax rate in 2002 reflects \$95 million in reported total federal and state tax benefits from the company's Management Stock Ownership Program. Those benefits in 2003 and 2001 were \$77 million and \$57 million. Business tax credits in 2003, 2002 and 2001 were \$24 million, \$21 million and \$18 million.

**Time Warner:** Although it reported nominal book losses in 2001 and 2002, the company generated taxable income in those years due largely to nondeductible goodwill amortization of \$4.6 billion and \$44 billion in 2001 and 2002. Other nondeductible, non-cash expenses in those two years were \$46 million and \$40 million. In 2003, nondeductible goodwill amortization was \$23 million and other nondeductible expenses were \$66 million. The study added back all of the nondeductible items previously mentioned to reported U.S. pretax profits. The company recorded integration costs for the merger of AOL and Time Warner companies in 2001 and a severance charge to reduce headcount in 2002. Not all of the charges were used up in the years they were announced and the U.S. pretax profits were adjusted to reflect the actual expensing of the related reserves, which reduced profits in 2003 and increased profits in 2002 and 2001. Reported total federal and state tax benefits from stock options were \$162 million, \$265 million and \$1.4 billion in 2003, 2002 and 2001.

**Timken:** The company recorded restructuring charges in 2001 and 2000. The study made adjustments for the current effect of the charges, which reduced reported U.S. pretax profits in 2003 and 2002 and increased them in 2001. Federal and state tax benefits

from stock options in 2003 were \$1 million. The low tax rate in 2003 reflects accelerated depreciation tax savings of \$69 million. It is less clear what was driving the low tax rate in 2002, beyond accelerated depreciation tax savings of \$20 million. The low tax rate in 2001 reflects the use of tax benefits related to benefits in the past deferred for tax purposes and tax savings from accelerated depreciation.

**TJX:** The company's fiscal years end in January following the years listed. Accelerated depreciation lowered taxes by \$55 million, \$41 million and \$4 million for 2003, 2002 and 2001. Reported total federal and state tax benefits from stock options were \$14 million, \$12 million and \$31 million in 2003, 2002 and 2001.

**Toys "R" Us:** In computing U.S. pretax profits, the study determined the percentage breakdown of U.S. and foreign operating income and applied it to reported worldwide pretax profits. The company's decision to close some of its stores led to restructuring charges in 2003, 2002 and 2001. U.S. profits were adjusted for current effect of these charges, which increased profits in 2003 and 2001 and lowered profits in 2002. An adjustment was also made for \$9 million in nondeductible goodwill amortization in 2001, which increased profits that year.

**Triad Hospitals:** In computing U.S. pretax profits, the study adjusted for (a) nondeductible ESOP expenses between 2001 and 2003, (b) nondeductible goodwill amortization or write-offs in 2003 and 2001 and (c) the nondeductible portion of a non-cash impairment charge taken in 2001. Between 2001 and 2003, the company deferred nearly all of its taxes. Most of the company's tax deferrals were related to accelerated depreciation and amortization. The use of NOL carryforwards lowered taxes in 2003 and 2002 by \$6 million and \$34 million. Reported total federal and state tax benefits from stock options lowered the company's taxes in 2003, 2002 and 2001 by \$1 million, \$22 million and \$12 million.

**Tribune Company:** In computing pretax profits, the study adjusted reported pretax profits for (a) the current effect of restructuring charges booked in 2000 and 2001 to profits between 2001 and 2003 and (b) nondeductible goodwill amortization in 2001. Tax savings from accelerated depreciation and amortization in 2003 were \$86 million. The company also deferred taxes related to investments in that year of \$95 million. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$53 million, \$52 million and \$26 million.

**TXU:** In 2002, the company's investment in Pinnacle, a joint-venture in telecommunications, generated a paper loss of approximately \$151 million that had zero tax effect. The study added back the loss to reported U.S. pretax profits in 2002. U.S. pretax profits were also adjusted for nondeductible amortization of goodwill in 2001. Reported total federal and state tax benefits from stock options in 2002 and 2001 were \$3 million and \$4 million.

**Tyson Foods:** The company's fiscal years end in September of the years listed. In computing U.S. profits, the study estimated foreign pretax profits based on reported current foreign taxes. Nondeductible goodwill amortization in 2001 was \$31 million,

which was added back to pretax profits. Calculated total federal and state tax benefits from stock options were \$1 million in 2003.

**U.S. Bancorp:** Charges were recorded between 2000 and 2003 following numerous acquisition made between 2000 and 2002. The study added back the permanently nondeductible portion of these charges which were \$14 million and \$150 million in 2002 and 2001. Excluding the nondeductible portion, the study divided the remaining restructuring charges geographically and allocated their current effect to reduce reported profits in 2003 and 2002 and increase profits in 2001. Adjustments were also made to reported profits for the current effect of charges recorded for future credit losses, which reduced profits in 2003 and 2002 and increased them in 2001. The study added back nondeductible goodwill amortization in 2001. Tax credits in 2003, 2002 and 2001 were \$110 million, \$86 million and \$69 million. Tax-exempt interest income represented tax savings of \$22 million, \$25 million and \$37 million in 2003, 2002 and 2001. Calculated total federal and state tax benefits from stock options were \$42 million, \$32 million and \$39 million in 2003, 2002 and 2001.

**Union Pacific:** The company deferred 80 percent of the taxes it would have owed at the 35 percent statutory corporate tax rate between 2001 and 2003, primarily through tax savings from accelerated depreciation totaling \$876 million over the three years. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$9 million, \$23 million and \$9 million.

**Unisys:** The company reported a tax rebate in all three years. In 2003, 2002 and 2001, IRS tax settlements lowered taxes by \$36 million, \$16 million and \$26 million. Reported total federal and state tax benefits from stock options generated tax savings of \$5 million, \$4 million and \$5 million in 2003, 2002 and 2001.

**United Auto Group:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported current foreign taxes. Tax savings from accelerated depreciation was the main factor reducing the company's tax rate. Nondeductible goodwill amortization was \$7 million in 2001, which was added back to U.S. pretax profits. Calculated total federal and state tax benefits from stock options in 2003 and 2002 were \$0.5 million and \$1 million.

**United Stationers:** Restructuring charges were booked in 2002 and 2001. The study adjusted reported U.S. pretax profits for the current effects of those charges, which reduced reported profits in 2003 and 2002 and increased them in 2001. Calculated total federal and state tax benefits from stock options were \$10 million; \$0.3 million and \$3 million in 2003, 2002 and 2001.

**United Technologies:** Since 1999, restructuring charges for future layoffs and to move manufacturing overseas were recorded. Not all charges were used up in the years of announcement. Reported U.S. pretax profits in 2003, 2002 and 2001 were adjusted to reflect the actual domestic expensing of these reserves, which reduced reported profits in 2003 and increased reported profits in 2002 and 2001. U.S. pretax profits in 2001 were adjusted for nondeductible amortization of goodwill, which increased reported profits. The tax refund in 2001 is after considering reported total federal and state stock option tax benefits of \$91

million. Those benefits for 2003 and 2002 were \$111 million and \$45 million.

**UnitedHealth:** Nondeductible goodwill amortization was added back to reported U.S. pretax profits in 2001. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$222 million, \$133 million and \$133 million in 2003, 2002 and 2001.

**UPS (United Parcel Service):** The study's adjustment to reported pretax profits for the current effect of a restructuring charge recorded in 2001 reduced profits in 2002 and increased profits in 2001. Calculated total federal and state tax benefits from stock options were \$126 million, \$112 million and \$101 million in 2003, 2002 and 2001.

**Valero Energy:** Despite paying AMT of \$46 million, \$45 million and \$26 million in 2003, 2002 and 2001, the company reported tax rebates in 2003 and 2002 and its tax rate was low in 2001. In 2003, the utilization of NOL carryforwards helped reduce taxes by \$174 million. In all years, accelerated depreciation lowered taxes, representing tax savings of \$265 million, \$87 million and \$1 billion in 2003, 2002 and 2001. Business tax credits in 2002 and 2001 were \$1 million and \$9 million. Calculated total federal and state tax benefits from stock options lowered taxes by \$16 million, \$10 million and \$4 million in 2003, 2002 and 2001.

**Verizon:** In computing U.S. pretax profits, the study estimated foreign pretax profits based on reported current foreign income taxes. Accelerated depreciation saved the company \$2.4 billion, \$1.1 billion and \$811 million in 2003, 2002 and 2001. The company deferred significant amounts of taxes related to its wireless joint ventures, which represented tax savings of \$726 million, \$2 billion and \$1.4 billion in 2003, 2002 and 2001. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$12 million, \$46 million and \$101 million.

**VF Corporation:** Restructuring charges were booked between 2000 and 2002. For the study's purpose, those charges were divided geographically and their current effect allocated to 2003, 2002 and 2001. The adjustments reduced reported pretax profits in 2003 and 2002 and increased reported profits in 2001. Nondeductible goodwill amortization in 2001 was \$24 million, which was added back to reported profits. The high tax rate in 2001 reflects negative deferred taxes. In 2001, there was a turnaround in deferred taxes related accelerated depreciation. Preferred stock dividends generated tax benefits of \$12,000 and \$132,000 in 2001 and 2002. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$2 million, \$6 million and \$6 million.

**Viacom:** The company resulted from the merger of CBS and Viacom in 2000. At that time the company booked a \$699 million charge. The study divided the charge geographically and allocated the current effect of the charge to reported pretax profits, which resulted in reduced profits in 2003, 2002 and 2001. The same approach was employed to charges recorded in 2001 for future layoffs at MTV and the integration of UPN. In 2003, the company wrote down its investment in Blockbuster, which for our purposes required an adjustment of \$1.3 billion for nondeductible impairment charges to reported profits. The company reported

federal and state stock option tax benefits of \$77 million, \$210 million and \$142 million for 2003, 2002 and 2001.

**Wachovia:** It is common practice for the company to increase its reserves in anticipation for future bad loans, which means the company records charges against income annually. The study divided "provisions for credit losses" geographically and adjusted U.S. pretax profits in 2003, 2002 and 2001 to reflect the provisions net of actual losses incurred, which lowered reported profits in 2003 and increased them in 2001. Restructuring charges recorded in 2000 were allocated to 2003, 2002 and 2001, reducing reported profits in those years. The study added back non-deductible amortization of goodwill to 2001's reported profits. The company's leasing business generated tax savings of \$807 million, \$1.2 billion and \$897 million in 2003, 2002 and 2001.

**Walgreen:** The company's fiscal years end in August of the listed years. Accelerated depreciation saved the company \$84 million, \$60 million and \$50 million in 2003, 2002 and 2001. Reported federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$24 million, \$57 million and \$67 million.

**Wal-Mart:** The company's fiscal years end in January following the listed years. Calculated total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$106 million, \$84 million and \$83 million.

**Waste Management:** In computing U.S. pretax profits, the study added back nondeductible goodwill amortization to reported U.S. profits in 2003, 2002 and 2001 and added back nondeductible write-downs of investments in 2001. Accelerated depreciation was the company's largest source of tax relief; saving the company \$220 million, \$253 million and \$70 million. Federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$9 million, \$7 million and \$15 million.

**Wellpoint Health:** Reported total federal and state tax benefits from stock options were \$75 million, \$65 million and \$19 million in 2003, 2002 and 2001.

**Wells Fargo:** Reported U.S. pretax profits were adjusted for (a) the current effect of charges booked for future credit losses in 2003, 2002 and 2001 and (b) nondeductible amortization of goodwill in 2001. These adjustments resulted in increased reported U.S.

pretax profits. Over the three-year period 2001 to 2003, the company's tax rates fell as it deferred more of its taxes. According to the company, tax-exempt income and tax credits collectively lowered taxes in 2003, 2002 and 2001 by \$161 million, \$122 million and \$131 million. Federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$148 million, \$73 million and \$88 million.

**Wesco International:** IRS tax settlements lowered the company's taxes by \$3 million in 2003 and \$5 million in 2002. Accelerated amortization of intangibles produced tax savings of \$7 million, \$6 million and \$3 million in 2003, 2002 and 2001. Calculated total federal and state tax benefits from stock options were \$2 million, \$0.1 million and \$0.3 million in 2003, 2002 and 2001.

**Weyerhaeuser:** Tax breaks on exports between 2001 and 2003 totaled \$23 million. "Other" tax credits in 2003, 2002 and 2001 amounted to \$25 million, \$17 million and \$3 million. Accelerated depreciation lowered taxes by \$126 million and \$1.1 billion in 2003 and 2002. In 2001, a turnaround in deferred taxes related to accelerated depreciation increased tax payments by \$1 million. Calculated total federal and state tax benefits from stock options were \$1 million, \$9 million and \$2 million in 2003, 2002 and 2001.

**Whirlpool:** In 2001, the company booked \$295 million to recall 1.8 million microwaves and 1.4 million humidifiers. The recalls were not completed until 2002. The study divided the recall charges geographically and the current effect of the charge was allocated to 2002 and 2001. The adjustment increased reported profits in 2001 and reduced reported profits in 2002. The company reported that "U.S. government tax incentives" saved the company \$9 million in 2003, 2002 and 2001. Calculated total federal and state tax benefits from stock options were \$1 million, \$9 million and \$2 million.

**Yum Brands:** Charges were recorded annually to close stores and asset impairments since 2000. The charges were divided geographically and allocated to reduce reported U.S. pretax profits in 2003 and 2001 and increase profits in 2002. Reported total federal and state tax benefits from stock options in 2003, 2002 and 2001 were \$26 million, \$49 million and \$13 million.

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# Methodology

This study represents an in-depth look at corporate taxes over the first three years of the George W. Bush administration. It is similar to a series of widely-publicized studies by Citizens for Tax Justice and the Institute on Taxation and Economic Policy in the 1980s and most recently in 2000. The new report covers 275 large *Fortune 500* corporations (from the 2004 list), and analyzes their U.S. profits and corporate income taxes from 2001 to 2003. Over the three-year period, these companies reported \$1.1 trillion in pretax U.S. profits, and, on average, paid tax on about half that amount.

## 1. Choosing the Companies:

Our report is based on corporate annual reports to shareholders and the similar 10-K forms that corporations are required to file with the Securities and Exchange Commission. We relied on electronic versions of these reports from the companies' web sites or from the SEC web site.

As we pursued our analysis, we gradually eliminated companies from the study based on two criteria: either (1) a company lost money in any one of the three years; or (2) a company's report did not provide sufficient information for us to accurately calculate its domestic profits, current federal income taxes, or both.

From the list of just over 300 profitable companies for which we eventually had sufficient information, we gleaned the list down to 275, based mainly on an effort to maintain a representative sample of companies in each industry.

The overall trend in pretax U.S. profits reported by our 275 companies is virtually identical to the trend in total corporate pretax profits compiled by the Commerce Department (excluding the Federal Reserve profits that accrue to the U.S. Treasury). Each measure rose by 26 percent from 2001 to 2003. The total net federal income taxes reported by our 275 companies over the three years amount to more than two-fifths of all federal corporate income tax collections in that period.

## 2. Method of Calculation:

Conceptually, our method for computing effective corporate tax rates was straightforward. First, a company's domestic profit was determined and then current state and local taxes were subtracted to give us net U.S. pretax profits before federal income taxes. (We excluded foreign profits since U.S. income taxes rarely apply to them after credits for taxes paid to foreign governments.) We then determined a company's federal current income taxes. Current taxes are those that a company is obligated to pay during the year; they do not include taxes "deferred" due to various federal "tax incentives" such as accelerated depreciation. Finally, we divided current taxes by pretax profits to determine effective tax rates.

**A. Issues in measuring profits.** The pretax U.S. profits reported in the study are generally as the companies disclosed them, or if a company did not report U.S. pretax profits, were based on a geographic breakdown of operating profits minus a prorated share of any expenses not included therein (e.g., overhead or interest). In some cases, companies booked charges against repor-

ted profits that were not fully allocable to the year they were booked or they deferred book recognition of income received. Where information was available, we reallocated these charges or profits to the years they were actually incurred or received. In addition, some companies took book charges for non-tax-deductible "acquired in-process research," which should properly be capitalized. We reversed such subtractions.<sup>1</sup> We also did not allow deductions for booked "goodwill" write-offs beyond the already generous treatment allowed by the tax code,<sup>2</sup> and disallowed a handful of other non-cash, nondeductible book write-offs. All significant adjustments to profits made in the study are reported in the company-by-company notes.

**B. Issues in measuring federal income taxes.** The primary source for current federal income taxes was the companies' income tax notes to their financial statements. We also subtracted tax breaks that the companies received but which were not reported in their tax notes. Almost all of those tax subtractions reflected tax benefits from stock options, which generate tax deductions, but generally do not reduce reported book profits. Specifically, when employees exercise stock options, companies can deduct the difference between the market value of the stock and the exercise price (times the number of shares exercised) from their taxable income. In most cases, however, the tax savings from these deductions are generally not reflected in the companies' tax statements in their annual reports, but are instead treated as additions to stockholders' equity. In many cases, companies disclose the tax benefits from stock options directly. In other cases, we had to calculate the benefits by multiplying the difference between the market value of the stock and the exercise price times the number of options exercised times the combination of the 35 percent federal tax rate and the weighted average state income tax rate (net of federal deductibility). In both situations, we divided the tax benefits from stock options between federal and state taxes based on the relative statutory tax rates. All of the non-trivial tax benefits from stock options that we found are reported in the company-by-company notes.

## 3. Negative tax rates.

A "negative" effective tax rate means that a company enjoyed a tax rebate, usually obtained by carrying back excess tax deductions and/or credits to an earlier year and receiving a tax refund check from the U.S. Treasury Department.

## 4. Industry classifications.

Because many companies do business in multiple areas, our industry classifications are far from perfect. We generally based them on *Fortune's* industry classifications. ●

<sup>1</sup>Immediate write-offs for acquired, in-process research have been widely criticized, and are usually ignored by stock market analysts. One effect of these write-offs is to artificially boost profits in future years, with a potentially favorable effect on a company's stock market valuation.

<sup>2</sup>Accounting rules have changed recently to match our treatment, and companies are moving away from taking arbitrary goodwill write-offs for book purposes.