

VERIZON **CALLING COLLECT ON INCOME TAXES**

Despite being one of the country's largest and most profitable companies, Verizon has an abysmal record of paying state and federal income taxes.

HOW DID THEY DO IT?

Depreciation. Much of Verizon's tax subsidy comes in the form of write-offs on their property, plant, and equipment. These write-offs are of a larger magnitude at the federal level than the state level, due to something called "bonus depreciation."

If Verizon paid the basic New York State income tax rate, they would have paid an additional \$1.5 billion in state taxes, 2008-10.¹

Lobbyists: **\$16.6 Million**

Verizon spent \$16.6 million on federal and state lobbying in 2011, making OpenSecrets' list of the top lobbying spenders. According to OpenSecrets, Verizon lobbied on tax issues more than any other issue category other than "telecommunications."

Verizon paid a federal income tax rate of -2.9% from 2008-10, receiving close to \$1 billion back from the federal government.

Accountants: **\$33.8 Million**

Verizon spent \$33.8 million on auditing firm Ernst & Young in 2010, including \$5 million on tax fees for "federal, state, local, and international tax planning and compliance." Notably, Verizon also hired Ernst & Young—which is supposed to operate as an independent auditor of Verizon—to lobby on "general tax issues and miscellaneous corporate and international tax issues," paying \$120,000 for their services in 2010.

Reverse Morris Trusts. Verizon has used a scheme called a "reverse Morris trust" transaction in order to avoid taxes on some income. The maneuver involves spinning off assets to a subsidiary, which is then merged into a third company. Because it is structured as a spinoff and merger, the transaction is tax-free—Verizon receives a large, tax-free dividend, even though it retains an ownership stake in the third company.

Politicians: **\$20 Million+**

At the federal level, Verizon has already donated \$730,000 to politicians during the 2012 cycle, and donated close to \$2 million in the 2010 cycle. Over the past twenty years, Verizon has donated over \$20 million to politicians, making it one of Open Secrets' top 100 "heavy hitters."

Verizon's Tax Dodging by the Numbers

VERIZON'S PROFITS, 2008-2010: \$33.4 billion

VERIZON'S STATE INCOME TAX BILL, 2008-10	\$866 million	VERIZON'S FEDERAL INCOME TAX BILL, 2008-10	-\$951 million²
VERIZON'S STATE INCOME TAX RATE, 2008-10	2.6%	VERIZON'S FEDERAL INCOME TAX RATE, 2008-10	-2.9%
NY STATE CORPORATE INCOME TAX RATE	7.1%	FEDERAL CORPORATE INCOME TAX RATE	35%
NYS INCOME TAX RATE FOR A FAMILY OF FOUR MAKING \$58,000	4.1%	FEDERAL INCOME TAX RATE FOR A FAMILY OF FOUR MAKING \$58,000	8.91%³

1. Assuming all income is taxed at the New York State income tax rate (weighted state avg is 6.2%).

2. Citizens for Tax Justice reports on federal and state corporate income tax dodging.

3. 3.26% income tax rate, 5.65% payroll tax rate.

NEW YORKERS BENEFITTING FROM VERIZON'S TAX SCHEMES



Ivan Seidenberg \$18.2 million in 2010, or \$8,750 per hour
Former chairman and CEO

Houses:

- Upper East Side (lives in building where apartments sell for \$1.5-7million)
- West Nyack, NY
- West Palm Beach (assessed at \$1 million; on a golf course)

Extracurriculars:

Seidenberg chaired the Business Roundtable, an elite group of big business CEOs, for three years until June 2011. Each year of his tenure, the group lobbied on taxes more than on any other issue. Seidenberg blamed corporate tax rates as a major impediment to growth in the US, despite his own company's extremely low or negative income tax rates.



Lowell McAdam \$7.2 million in 2010, or \$3,460 per hour
Chairman and CEO

McAdam received this before he became CEO; his pay is likely to rise as CEO.

Houses:

- \$2 million house in Mendham, NJ
- 30-acre estate on Smith Mountain Lake near Roanoke, VA

OTHER TOP EXECUTIVES

Virginia P. Ruesterholz, EVP
\$4.8 million
in compensation in 2010

Francis J. Shammo, EVP & CFO
\$4.2 million

Daniel S. Mead, EVP
\$4.2 million

John F. Killian, former EVP & CFO
\$7.4 million

Total: \$46 million in executive compensation for six executives in 2010

SOURCES:

Citizens for Tax Justice and Institute on Taxation and Economic Policy report, "Corporate Taxpayers and Corporate Tax Dodgers, 2008-2010." <http://www.ctj.org/corporatetaxdodgers/CorporateTaxDodgersReport.pdf>

Citizens for Tax Justice and Institute on Taxation and Economic Policy report, "Corporate Tax Dodging in the Fifty States, 2008-2010." <http://www.ctj.org/corporatetaxdodgers50states/CorporateTaxDodgers50StatesReport.pdf>

Ernst & Young / Verizon lobbying filing: <http://soprweb.senate.gov/index.cfm?event=getFilingDetails&filingID=E38FC24-E6A0-459D-88D8-D95C269C168D>

Capitol Tax Partners / Verizon lobbying filing: <http://soprweb.senate.gov/index.cfm?event=getFilingDetails&filingID=E00F7A78-ACE7-40B5-A172-6E30D55834FD>

Verizon 2011 proxy statement: http://www.sec.gov/Archives/edgar/data/732712/000119312511072480/ddef14a.htm#toc138946_8

Citizens for Tax Justice and Good Jobs First November 2011 report on Verizon, "Unpaid Bills: How Verizon Shortchanges Government through Tax Dodging and Subsidies." http://cwa.3cdn.net/58d0192c139e684bb2_0f66b5u7q.pdf

NEW YORK STATE SUBSIDY ATTEMPT

In 2010, Verizon attempted to secure public subsidies worth up to \$600 million for a data center in Somerset, NY, near Buffalo. Verizon sought subsidies in the form of property tax abatements, sales tax exemptions, and low-cost power. The deal, which consisted of approximately \$3 million in subsidies for each of the 200 permanent jobs that was to be created, was approved, but Verizon eventually backed out (perhaps due to its takeover of Terremark, a company which operates data centers).

TAX FAIRNESS AND TAX REFORM ARE GOOD FOR NEW YORK

Governor Cuomo and the Legislature did right by New Yorkers last year when they made the Personal Income Tax more progressive and more fair with a new Millionaires Tax and middle-class tax cuts.

We need to keep it going in 2012: reform corporate taxes to close loopholes and stop the special deals for big business and the 1%.

New York shouldn't cut programs for the poor, slash pensions for workers, stop colleges if we can close corporate loopholes and enforce tax laws as an alternative.

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