

Corporate Alternative Minimum Tax Case Studies

Who Are the Companies Complaining About the AMT, and What Do They Pay in Taxes?

Last year, **IBM** reported \$5.7 billion in pretax U.S. profits. Despite a supposed 35 percent corporate tax rate, IBM's actual federal income tax bill was only 3.4 percent of its pretax U.S. earnings. Without the AMT, IBM would have paid a mere 0.2 percent.*

In 2000, **Ford Motor Co.** reported \$9.4 billion in pretax U.S. profits, but it paid only 6.3 percent of that in federal income taxes.* The previous year, Ford paid only 5 percent on \$9.3 billion in pretax U.S. profits. Ford's annual report doesn't offer full disclosure, but it appears that without the AMT, Ford would have paid virtually nothing in taxes over the past two years.

General Motors reported \$2.9 billion in pretax U.S. profits in 2000. Despite the AMT, GM paid no federal income tax at all. Instead, GM got a outright tax rebate of \$105 million.* In fact, over the past six years, GM has paid nothing in federal income taxes, despite \$22.4 billion in pretax U.S. profits!

In 1998 and 1999, **General Electric** reported a total of \$21.3 billion in pretax U.S. profits. It paid a mere 8.8 percent of that in federal income taxes. Without the AMT, GE's tax rate would have been only 4.6 percent.

United Airlines earned \$1.2 billion in pretax U.S. profits in 1998, but paid only 8.6 percent of that in federal income taxes. Without the AMT, United would have paid only 3.8 percent.

Comdisco reported \$181 million in pretax U.S. profits in 1998, and paid just 6.1 percent of that in federal income taxes. Without the AMT, Comdisco's tax bill would have been negative—it would have gotten an outright tax rebate from the U.S. Treasury.

*Updated to reflect tax benefits from stock options.