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Despite Claim of High Tax Rate, Continental Resources Paid Just 2.2% of Its Profits in Federal Income Taxes over the Past 5 Years

Continental Resources, an American oil company that is particularly active in North Dakota and Montana, has enjoyed pre-tax U.S. profits of \$1,872 million over the past five years, but paid a mere \$40 million in federal corporate income taxes over that same period. Continental Resources has enjoyed an effective federal corporate income tax rate of just 2.2 percent over the past five years.

These figures are taken directly from the company’s public filings with the Securities and Exchange Commission (SEC).

Continental Resources’ Pre-Tax Profits and Federal Income Taxes (\$-millions)

What makes this particularly noteworthy is that Harold Hamm, Continental Resources’ Chairman and CEO, as well as Mitt Romney’s top energy advisor, has submitted testimony to the House Energy and Commerce Committee in which he claims that his company’s effective corporate income tax rate is 38 percent.¹ This figure does not reflect reality.

Year	Pretax US profit	Federal income tax	Federal tax rate
2007	296.8	5.8	1.9%
2008	518.5	13.5	2.6%
2009	110.4	0.1	0.1%
2010	259.1	8.2	3.2%
2011	687.2	12.9	1.9%
5 years:	\$ 1,872	\$ 40	2.2%

The figures from his company’s SEC filings make it clear that Hamm’s 38 percent calculation includes both “current” taxes, which are the taxes actually paid each year by the company, and “deferred” taxes, which are taxes the company has *not* paid, but might pay at some point in the future.

Source: Continental Resources’ 10-K Annual Reports.

Citizens for Tax Justice, September 2012

Hamm calculates his company’s 2011 effective income tax rate to be 38 percent by counting taxes the company did not pay. Besides the \$13 million of “current” income taxes that the company did pay, Hamm also wants to count \$245 million in “deferred” income taxes, which the company did

¹ “American Energy Independence within a Decade and The Policies Necessary to Achieve it,” testimony of Harold Hamm, Chairman and CEO, Continental Resources, Inc. September 13, 2012.
<http://energycommerce.house.gov/sites/republicans.energycommerce.house.gov/files/Hearings/EP/20120913/HHRG-112-IF03-WState-HammH-20120913.pdf>

not pay. Combined, these paid-and-not-paid taxes were 38 percent of Continental's 2011 pre-tax income of \$687 million. But that's a meaningless figure. The income taxes the company actually paid in 2011 — a mere \$13 million — equaled just 1.9 percent of its 2011 pre-tax profits.

Any deferred income taxes that are actually paid will be reported as “current” taxes in the year that they are paid. At that point (if ever), CTJ will automatically include them in its calculation of the company's effective corporate income tax rate.

This ridiculously low effective income tax rate was not unique to 2011. In fact, Continental Resources paid just \$40 million, or 2.2 percent of its profits, in “current” federal income taxes over the 2007-2011 period.²

² Companies sometimes point to their “cash income taxes paid,” which is a figure in their public filings that some argue is closer to what companies actually pay in income taxes in a given year. Over the past five years, Continental Resources's “cash income tax paid” have been essentially identical to its “current” tax figures.