

# State Corporate Income Taxes 2001–2003

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## Note

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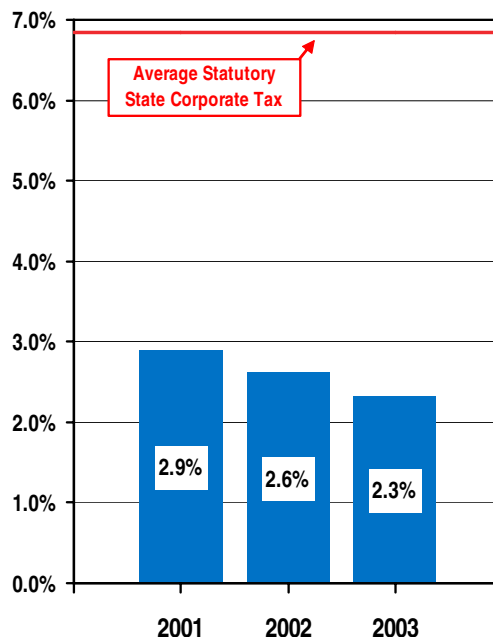
# State Corporate Income Taxes 2001–2003

Last September, Citizens for Tax Justice and the Institute on Taxation and Economic Policy published *Corporate Income Taxes in the Bush Years*, an in-depth look at the taxes that 275 large, profitable corporations paid, or failed to pay, on their U.S. profits over the 2001-03 period. That study found that by 2003, these corporations were able to shelter more than half of their U.S. profits from federal income taxes. Since then, we've taken a hard look at what large corporations paid in *state* income taxes over those three years, which we report here.

Of the 275 *Fortune 500* corporations in our September federal study, 252 fully disclosed their state and local income tax payments.<sup>1</sup> Here are some of the key facts that these companies' annual reports reveal:

- By 2003, these 252 companies had slashed their state income tax payments to only 2.3 percent of their U.S. profits. Since the average statutory state corporate tax rate is about 6.8 percent (weighted by gross state product), that means that in 2003, **two-thirds of their profits escaped state taxes entirely.**
- **A shocking 71 of the 252 companies managed to pay no state income tax at all in at least one year from 2001 through 2003**—despite telling their shareholders they made \$86 billion in pretax U.S. profits in those no-tax years. Twenty-five of these companies enjoyed multiple no-tax years.
- Some companies, such as Toys “R” Us, AT&T, Boeing, Eli Lilly, Merrill Lynch, and ITT Industries, paid no net state income tax over the full three-year period.
- In 2003 alone, 35 companies paid no state income tax. Another 138 of the companies paid less than half the statutory state corporate tax rate that year.
- Perhaps most striking, if these 252 corporations had paid the 6.8 percent average state corporate tax rate on the almost \$1 trillion in U.S. profits that they reported to their shareholders, they would have paid \$67.1 billion in state corporate income taxes over the 2001-03 period. Instead, they paid only \$25.4 billion. **Thus, these 252 companies avoided a total of \$41.7 billion in state corporate income taxes over the three years.**

Effective State Corporate Tax Rates on 252 Large Corporations, 2001–2003



The companies in our survey operate all over the country. But they don't disclose their profits and taxes on a state-by-state basis. Tables at the end of this report sort the tax data for all 252 companies not only alphabetically and by tax rates, but also by location of headquarters (for what it's worth). On the next page, we give details about the 71 firms that paid no state income tax in at least one year from 2001 through 2003.

State Corporate Income Taxes Paid and Avoided by 252 Major Corporations, 2001–2003

\$-billions	Pretax Profits	Tax Due at 6.8%	Actual Tax Paid	Taxes Avoided
2001	\$ 298.8	\$ 20.5	\$ 8.6	\$ 11.9
2002	314.6	21.5	8.2	13.3
2003	367.1	25.1	8.6	16.5
<b>Three years</b>	<b>\$ 980.6</b>	<b>\$ 67.1</b>	<b>\$ 25.4</b>	<b>\$ 41.7</b>

<sup>1</sup>The state corporate tax information in this report includes both state and local corporate income taxes (the latter for New York and Washington, D.C.). A full methodology for the report is on page 25.

## 71 Corporations Paying No State Income Tax in at Least One Year, 2001–2003 (\$-million)

Company	In No-State-Income-Tax Years			No-Tax Years				Company	In No-State-Income-Tax Years			No-Tax Years				
	Profit	Tax	Rate	2001	2002	2003	#		Profit	Tax	Rate	2001	2002	2003	#	
Manpower	\$ 111	\$ -1	-0.5%	✓	✓	✓	3	BB&T	1,408	-13	-0.9%			✓	1	
Merrill Lynch	8,767	—	—	✓	✓	✓	3	Maytag	184	-2	-0.9%			✓	1	
ITT Industries	815	—	—	✓	✓	✓	3	Suntrust	1,886	-16	-0.8%		✓		1	
Lexmark	740	—	—	✓	✓	✓	3	Cinergy	560	-4	-0.7%		✓		1	
Reebok	58	—	—	✓	✓	✓	3	Yum Brands	665	-4	-0.6%			✓	1	
Ingram Micro	45	-7	-15.1%	✓		✓	2	Consolidated Edison	1,088	-6	-0.6%		✓		1	
Nucor	297	-29	-9.7%		✓	✓	2	NiSource	617	-3	-0.5%		✓		1	
Toys “R” Us	344	-30	-8.7%		✓	✓	2	SBC Communications	8,901	-38	-0.4%			✓	1	
AT&T	5,358	-269	-5.0%		✓	✓	2	Charles Schwab	347	-1	-0.3%		✓		1	
Wesco International	60	-2	-4.0%	✓		✓	2	CenterPoint Energy	802	-2	-0.2%	✓			1	
Boeing	3,162	-110	-3.5%		✓	✓	2	Alltel	1,359	-2	-0.2%		✓		1	
Pitney Bowes	1,082	-26	-2.4%		✓	✓	2	Ikon Office Solutions	197	-0	-0.2%		✓		1	
OGE Energy	335	-7	-2.0%		✓	✓	2	IBM	5,644	—	—	✓			1	
FPL Group	2,200	-43	-2.0%		✓	✓	2	Pfizer	4,088	—	—	✓			1	
Eli Lilly	3,362	-20	-0.6%		✓	✓	2	Amgen	1,947	—	—		✓		1	
Avon	573	-3	-0.6%		✓	✓	2	3M	1,654	—	—		✓		1	
Metlife	4,990	-21	-0.4%	✓	✓		2	Tribune Company	1,408	—	—			✓	1	
Performance Food Group	191	-1	-0.3%	✓		✓	2	Cardinal Health	1,149	—	—	✓			1	
Sears	3,610	-4	-0.1%	✓	✓		2	Apache	918	—	—			✓	1	
General Dynamics	2,538	—	—		✓	✓	2	General Mills	751	—	—	✓			1	
Southwest Airlines	1,101	—	—		✓	✓	2	Time Warner	614	—	—	✓			1	
Boston Scientific	639	—	—		✓	✓	2	Baxter	602	—	—		✓		1	
L-3 Communications	500	—	—	✓	✓		2	New York Times	492	—	—		✓		1	
Praxair	418	—	—	✓		✓	2	McKesson	480	—	—	✓			1	
Advance Auto Parts	289	—	—		✓	✓	2	Marriott International	410	—	—	✓			1	
Dillard’s	18	-2	-9.1%			✓	1	Caterpillar	343	—	—		✓		1	
Ball	113	-8	-6.8%	✓			1	Becton Dickinson	327	—	—			✓	1	
Pepco Holdings	335	-17	-5.1%		✓		1	Dover	212	—	—		✓		1	
Foot Locker	115	-5	-4.4%	✓			1	Rockwell Automation	209	—	—			✓	1	
Brunswick	149	-5	-3.4%		✓		1	Ryder	120	—	—		✓		1	
PPL	416	-9	-2.2%		✓		1	Goodrich	91	—	—			✓	1	
Public Service Enterprise Group	1,341	-28	-2.1%			✓	1	Smith International	63	—	—			✓	1	
Whirlpool	353	-6	-1.7%		✓		1	Valero Energy	44	—	—		✓		1	
Eaton	323	-5	-1.6%	✓			1	Fluor	41	—	—	✓			1	
Principal Group	472	-5	-1.2%	✓			1	Fisher Scientific International	6	—	—	✓			1	
Sara Lee	1,054	-12	-1.1%			✓	1									
								<b>Totals</b>	<b>\$ 85,905</b>	<b>\$ -765</b>	<b>-0.9%</b>					<b>101</b>

## How Companies Avoid State Corporate Income Taxes

Because most states use federal taxable corporate income for computing state taxable profits, most of the loopholes, congressional giveaways and tax shelters that have eroded the federal corporate income tax have reduced state corporate income taxes as well. States do “decouple” from federal tax giveaways occasionally. For example, nearly two-thirds refused to go along with President Bush’s 2001-04 “bonus depreciation” tax breaks. But such decoupling is the exception rather than the rule. So it’s no surprise that the effective state tax rate on our 252 companies fell from 2.9 percent in 2001 to only 2.3 percent in 2003.<sup>2</sup>

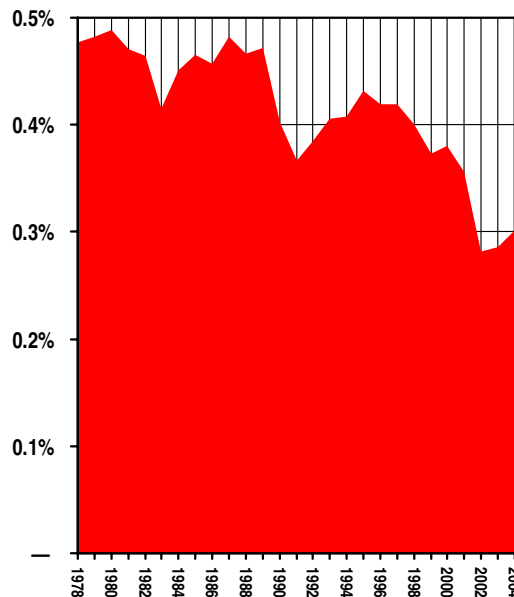
In fact, over the past decade and a half the state corporate income tax has been eroded considerably more than the federal base. Because of all the loopholes in the federal tax structure, the 2003 effective *federal* corporate tax rate on the companies we surveyed was just under half the 35 percent tax rate that the law ostensibly requires companies to pay. At the state level, this ratio is much lower. In 2003, the 2.3 percent effective *state* corporate income tax rate for these same companies was only a third of the 6.8 percent average statutory state corporate income tax rate.<sup>3</sup>

Looking at a longer time frame, state corporate income taxes have fallen sharply from the 0.47 percent of the gross domestic product that they averaged from fiscal 1978 through 1989—down to an average of only 0.29 percent of the GDP over the past three fiscal years. That 38 percent decline represents a \$56 billion loss in state and local corporate tax revenues over just the past three years.<sup>4</sup>

So by any measure, it’s clear that besides the erosion of state corporate taxes due to conformity with the federal rules, state corporate income taxes have additional big problems of their own.

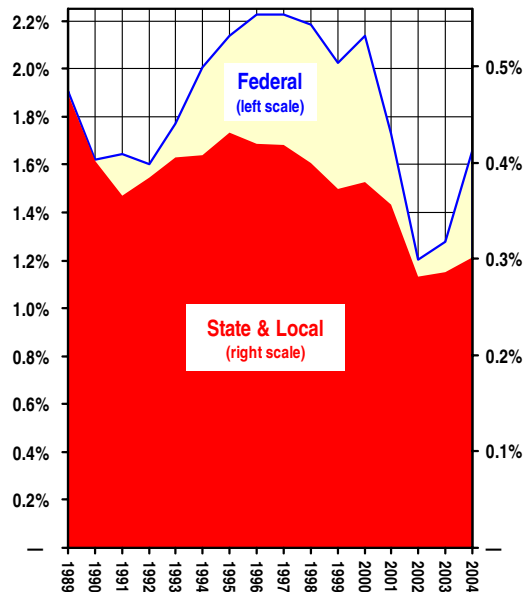
These problems are of two kinds: intentionally enacted state tax “incentives” and unintended tax shelters.

State & Local Corporate Income Taxes  
As a % of GDP — Fiscal 1978-2004



Figures exclude Michigan value-added tax and include Texas franchise tax.

Federal vs. State/Local Corp. Inc. Taxes  
As a % of GDP — Fiscal 1989-2004



<sup>2</sup>This 19% decline in the *state* effective tax rate for the 252 corporations in our survey is comparable to the 19% decline in the effective *federal* corporate tax rate on the 275 companies in the September 2004 study, which fell from 21.4% in 2001 to 17.2% in 2003. (The average federal tax rates for the 252 companies that fully disclosed their state corporate income taxes were almost identical to those of the full sample of 275 companies.)

<sup>3</sup>The 6.8% average state corporate income tax rate was calculated by weighing each state’s statutory rate (including the zero rates in states without corporate income taxes) by each state’s share of gross domestic product.

<sup>4</sup>If state and local corporate tax revenues had equaled 0.47% of GDP in fiscal 2002 through fiscal 2004, then state and local governments would have collected \$56 billion more in corporate tax revenues than they actually did.

## The Decline in State Corporate Income Taxes Fiscal 1989 to Fiscal 2003

State	Corp. Inc Tax / GSP		%	State	Corp. Inc Tax / GSP		%
	FY 1989	FY 2003			FY 1989	FY 2003	
Alabama	0.32%	0.18%	-44%	Missouri	0.24%	0.11%	-56%
Alaska	2.08%	0.65%	-69%	Montana	0.46%	0.18%	-61%
Arizona	0.31%	0.22%	-27%	Nebraska	0.27%	0.18%	-33%
Arkansas	0.31%	0.24%	-23%	New Hampshire	0.61%	0.34%	-44%
California	0.71%	0.47%	-34%	New Jersey	0.65%	0.60%	-6%
Colorado	0.25%	0.11%	-56%	New Mexico	0.31%	0.17%	-44%
Connecticut	0.87%	0.20%	-77%	New York	0.43%	0.25%	-42%
Delaware	0.86%	0.47%	-45%	New York City	0.41%	0.31%	-24%
District of Columbia	0.42%	0.34%	-19%	North Carolina	0.60%	0.29%	-51%
Florida	0.31%	0.25%	-17%	North Dakota	0.42%	0.26%	-37%
Georgia	0.40%	0.15%	-62%	Ohio	0.44%	0.20%	-54%
Hawaii	0.32%	0.06%	-80%	Oklahoma	0.21%	0.11%	-50%
Idaho	0.45%	0.23%	-49%	Oregon	0.31%	0.18%	-42%
Illinois	0.42%	0.34%	-18%	Pennsylvania	0.51%	0.27%	-47%
Indiana	0.27%	0.17%	-38%	Rhode Island	0.38%	0.16%	-57%
Iowa	0.40%	0.14%	-64%	South Carolina	0.37%	0.14%	-61%
Kansas	0.42%	0.14%	-68%	South Dakota	0.23%	0.17%	-26%
Kentucky	0.49%	0.22%	-56%	Tennessee	0.41%	0.31%	-25%
Louisiana	0.40%	0.13%	-67%	Texas	0.26%	0.21%	-18%
Maine	0.43%	0.22%	-48%	Utah	0.33%	0.20%	-40%
Maryland	0.31%	0.18%	-43%	Vermont	0.35%	0.20%	-42%
Massachusetts	0.76%	0.40%	-48%	Virginia	0.25%	0.12%	-54%
Minnesota	0.52%	0.29%	-44%	West Virginia	0.77%	0.41%	-47%
Mississippi	0.51%	0.40%	-21%	Wisconsin	0.48%	0.28%	-43%
<b>US Average</b>					<b>0.48%</b>	<b>0.29%</b>	<b>-40%</b>

Sources: Corporate income taxes are from state revenue departments and U.S. Census. Gross State Product (GSP) figures are from the Bureau of Economic Analysis. Compiled by the Institute on Taxation and Economic Policy.

Note: Taxes include local corporate income taxes in Washington, DC and New York City (the latter shown as shares of New York State GSP). Texas figure shown for fiscal 1989 is actually the fiscal 1987-89 average, because Texas corporate tax payments in fiscal 1989 were aberrationally low. BEA's State GSP figures were recently amended to use a slightly different approach for fiscal 1997-2002 compared to the earlier 1989-2001 estimates. The figures above use the older GSP series, plus trends in the new GSP series after 2001.

## State tax “incentives”

State elected officials, like their federal brethren, often can’t resist entreaties from corporations for tax breaks justified on the grounds that they will stimulate “economic development.” Not a week goes by that some state is not enacting some kind of new corporate tax break, either as an across-the-board entitlement for all corporations or to attract a high-priority target. North Carolina, for example, just agreed to forgo more than \$230 million in corporate tax receipts that Dell Computer would have otherwise owed in order to attract a \$100 million Dell assembly plant.

More than half the states continue to offer investment tax credits against their corporate tax nearly 20 years after the federal government abandoned its investment credit because Congress and President Reagan concluded that it was ineffective in stimulating investment. According to a study by University of Iowa economist Peter Fisher, the effective corporate tax rate on manufacturing companies in the 20 states he studied fell by 30 percent between 1990 and 1998 alone. Tax incentives, most of them corporate tax credits, offset 30 percent of corporate tax liability in these states in 1998—up from 10 percent in 1990.<sup>5</sup> State corporate tax credits for everything from providing child care to employees, to conducting product research and development, to cleaning up polluted “brownfields” continue to proliferate.

The corporations’ favorite tax break *du jour* is an arcane change in the formula that states use to divide the profits of multistate corporations among themselves for tax purposes.<sup>6</sup> In the name of economic development, the corporations are pressuring states to tax them only in proportion to the sales they make in a state. Among the problems with this approach, however, is the fact that federal law says that merely making sales into a state doesn’t necessarily make a corporation taxable. So if a state adopts the sales-only formula, then a resident corporation whose sales are entirely out of state won’t pay anything to its home state, and it may not be taxable in any of its customers’ states, either. This could lead to no corporate income tax liability to any state—what is often called “100 percent nowhere income.”

Intel Corporation, which managed to pay an average of just 3.4 percent of its profits in state income taxes from 2001-2003, has been particularly active in the states in lobbying for this formula change—successfully in Oregon and so far unsuccessfully in Arizona and California.

## Corporate tax sheltering through profit-shifting among states

Besides extorting new tax incentives from state officials, big corporations have become increasingly adept at taking advantage of loopholes in state corporate tax systems—again, loopholes over and above the ones that plague the federal corporate income tax and flow down to the state level. Most of these loopholes allow corporations to artificially shift their profits (on paper) from the states in which they are actually earned into states that tax them at lower rates or not at all.

Profit shifting among states is enabled by a provision of most states’ corporate tax laws that treats every individual corporation in a multicorporate group (that is, the parent and potentially dozens or even hundreds of subsidiaries) as a separate corporation for tax purposes. This practice—known as “separate-entity taxation”—enables a number of tax avoidance techniques.

**The Toys “R” Us Shelter:** The most notorious tax shelter that separate-entity taxation facilitates is the “Delaware Holding Company,” used most famously by Toys “R” Us. In the most common

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<sup>5</sup>Peter Fisher, “Tax Incentives and the Disappearing State Corporate Income Tax,” *State Tax Notes*, Mar. 4, 2002, pp. 767-774.

<sup>6</sup>See Michael Mazerov, *The “Single Sales Factor” Formula for State Corporate Taxes: A Boon to Economic Development or a Costly Giveaway?*, Center on Budget and Policy Priorities, revised Sept. 2001.

scenario, a corporation that operates retail stores transfers its logos and other trademarks to a subsidiary corporation it has created in a tax-haven state such as Delaware or Nevada. The stores then pay royalties to this subsidiary for the right to display the trademarks. These royalties are tax-deductible (as a cost of doing business) and hence can be used to largely or entirely eliminate corporate income tax liability in the states in which the corporation is actually operating stores and earning its profits. Meanwhile, the royalty payments are not taxed by the tax-haven state.<sup>7</sup> Court challenges reveal that a number of other corporations in our study that pay low effective tax rates—including Kohl’s Department Stores and Sherwin-Williams—also use Delaware Holding Companies.

**The Texas-Transfer Shelter:** Another infamous corporate tax shelter that is eviscerating Texas’s corporate tax in particular also relies on the artificial transfer of profits to a subsidiary in Delaware. A large number of Texas-based corporations—according to press reports including SBC Communications and Dell—have each transferred all their Texas operations to a limited partnership located in Delaware.<sup>8</sup> The partnership is comprised of one corporate limited partner that owns, say, 99 percent of the Texas operations and a corporate general partner that owns 1 percent. Lawyers for the Texas Comptroller concluded (likely erroneously, but the policy still stands) some years ago that they don’t have legal authority to tax the profits of an “out-of-state” corporation that is a passive investor (“limited partner”) in a partnership doing business in Texas. So the 99 percent of its profit that the Texas business funnels into its Delaware limited partner is beyond Texas’s tax reach, leaving it to tax its share of the profit of the 1 percent general partner.<sup>9</sup> SBC paid less than 1 percent in state income taxes on its \$31 billion in 2001-03 profits—and paid nothing at all in 2003—not solely due to this one Texas tax shelter of course, but certainly in part.

**Asset-Transfer Shelters:** A third tax-avoidance strategy exploiting state corporate income taxes that treat parents and subsidiaries as separate taxpaying entities involves spinning off income-generating assets into tax haven subsidiaries. This technique has recently received a lot of attention in Wisconsin.<sup>10</sup> There, state auditors discovered that the vast majority of banks in the state had set up subsidiaries in corporate-income-tax-free Nevada, to which they had transferred the ownership of loans, mortgage-backed securities, and “other intangible assets” in a tax-free transaction involving taking back an equal amount of stock. Even though the intangible assets had been purchased with deposits from Wisconsin households and businesses, and even though the interest paid to those depositors was presumably being deducted by the banks (not to mention the depreciation on the bank branches and the wages paid to the bank employees), the interest and capital gains generated by the Nevada-based intangibles had been placed beyond the tax reach of Wisconsin. If small-town banks in Wisconsin had discovered how to use Nevada subsidiaries to cut their taxes, it’s a safe bet that big multistate and multinational banks have figured it out, too—possibly explaining why financial institutions like BB&T, MBNA and Bank of New York are among the corporations with the lowest effective corporate tax rates in our study.

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<sup>7</sup>See Michael Mazerov, *Closing Three Common Corporate Income Tax Loopholes Could Raise Additional Revenue for Many States*, Center on Budget and Policy Priorities, Revised May 21, 2003, pp. 6-9.

<sup>8</sup>Robert T. Garrett, “Business Lobbyists Thwarting Efforts to Close Tax Loophole,” *Dallas Morning News*, May 12, 2003.

<sup>9</sup>Senate of Texas, *Senate Finance Committee Interim Report on Texas Taxes*, Dec. 2002, pp. 78-93.

<sup>10</sup>See Paul Gores, “State Reaches 87 Deals with Banks on Tax Shelters,” *Milwaukee Journal Sentinel*, Dec. 1, 2004.



**Transfer-Pricing Shelters:** Finally, most state corporate income taxes are vulnerable to serious erosion through what is called “transfer pricing.” If a widget manufacturer in Georgia (with a top corporate income tax rate of 6 percent) has a warehouse in South Carolina (top rate of 5 percent), it can reduce its total taxes due to the two states by incorporating the warehouse as a “wholesaling subsidiary.” The plant then charges the subsidiary an artificially-low price for the widgets, which reduces its taxable income in Georgia and shifts it into South Carolina, where it will be taxed at a lower rate. This same transfer-pricing game, played internationally, is widely understood to be a major source of the recent erosion of the federal corporate income tax. The IRS, with all of its tax lawyers and economists, has had a terrible track record in proving that multinational corporations’ international transfer prices are resulting in an abusive shifting of income beyond U.S. borders. State revenue officials are well aware of this, and some make no more than a token effort to police interstate transfer prices—opening the door to significant revenue losses.

## Potential Paths to State Corporate Tax Reform

Some people have looked at the wide variety of corporate state-tax-avoidance strategies and concluded that the state corporate income tax is beyond repair. But the truth is that states have lots of tools in their arsenals to revitalize this still-important—and progressive—source of revenue. Here are some of the most promising possibilities:

**Decoupling:** Calling on the federal government to clean up its corporate tax act is one obvious approach to restoring state corporate income taxes, but that’s probably fruitless these days. Treasury Secretary John W. Snow captured the mood in Washington last December when he said that the only limit President Bush will place on new corporate tax loopholes in his upcoming tax-reform program will be to try to avoid “negative income taxes.” But that doesn’t mean that states have to passively accept every new corporate loophole that gets tucked into the federal code.

Notably, a substantial majority of states “decoupled” from the Bush Administration’s “bonus depreciation” giveaways in 2001-03. Now states face a new federal tax break recently enacted for manufacturers—the so-called deduction for “qualified production activities income”—that they should reject. This new deduction was enacted in October of 2004 to compensate manufacturers for the loss of an unjustified and illegal (under World Trade Organization law) export subsidy. It is bad enough that Congress decided to hold manufacturers harmless for the loss of a tax break they didn’t need or deserve to begin with. It would be even more misguided for the states to suffer a substantial net loss of revenue by conforming to a new tax concession that in no way is tied to the creation of manufacturing jobs in any particular state. Massachusetts has already decoupled from the new federal corporate tax break. The other states with corporate income taxes should do so as well.<sup>11</sup>

In fact, if the federal government continues on its path of offering more and more corporate tax reductions, as the Bush administration has suggested may happen, states should consider much broader decoupling from the federal corporate tax. California is an example of a state that has rejected a wide array of federal loopholes, and instead insists on rules that more fairly measure corporations’ actual profits.

Apart from decoupling their corporate income taxes from unwise federal corporate tax provisions, there are many other useful steps states can take on their own to revitalize their corporate income taxes.

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<sup>11</sup>See Nicholas Johnson and Elizabeth McNichol, *States Can Decouple from the “Qualified Production Activities Income” Deduction*, Center on Budget and Policy Priorities, Jan. 2005.

**Combined Reporting:** The single most important state corporate tax reform would be to adopt a practice used by California and 15 other states called “combined reporting,” which effectively treats a parent and its subsidiaries as one corporation for state tax purposes. Combined reporting eliminates most of the tax benefits of shifting profits into Delaware or Nevada by adding them back to the profits of the corporation that *is* taxable in the state and then taxing a share of the combined profit. Vermont enacted a law last year to switch to combined reporting in 2006, and bills have been considered in about 10 other states recently as well. Last year Montana added a new wrinkle to its combined reporting law that other states should emulate. Combined reporting is usually limited to the “water’s edge”—that is, to U.S. based parents and subsidiaries. Montana went beyond that to include in the combined report subsidiaries set up in a number of foreign tax havens—eliminating the state corporate income tax benefits of artificially shifting income into those countries.

**“Nowhere Income”:** Another key reform is a rule implemented by about half the corporate income tax states that eliminates “nowhere income” arising from the mismatch between the laws that establish when a corporation has crossed the taxability or “nexus” threshold in a state and the rules that divide a corporation’s profit for tax purposes among the states. As noted above, federal law prevents a state from automatically being allowed to tax any corporation that makes sales to its residents. At the same time, the income-division rules always take sales into account to some extent in assigning income for tax purposes—meaning that income can be assigned to states that don’t have the authority to tax it. “Nowhere income” can be eliminated by a rule that effectively assigns any corporate profit that cannot be taxed in the states where a corporation’s customers are located back to the state(s) where the goods are produced. About half the states lack this rule at present.

**Alternative Corporate Taxes:** States can consider adopting some form of alternative minimum tax to ensure that corporations pay some tax no matter how many loopholes they are able to take advantage of. A number of states piggyback on the federal corporate AMT, but this has become much less useful because the federal AMT has been seriously watered-down over time by Congress. States could consider rejuvenating the older federal AMT rules as an alternative, less loophole-prone tax regime. If this seems too complicated, states could also consider using the pretax profits that companies report to their shareholders as the basis for an alternative tax. Since companies are usually reluctant to tell their shareholders they aren’t making healthy profits, this approach provides a built-in check against corporate tax avoidance. Corporations are required to show their profits reported to shareholders on their federal tax returns, and this could prove helpful to states in obtaining the necessary data.

**Stop Providing Foolish State Corporate Tax Subsidies:** When you find yourself in a hole, the first thing you need to do is stop digging. States need to stop giving away corporate taxes in the name of economic development. Chasing after businesses by fighting over who can give the largest tax concessions is a zero-sum game. States should get together and agree to stop this futile, destructive competition. They should sunset ineffective corporate tax credits and enter into pacts with each other not to use tax giveaways to compete for jobs. A good place to start would be to renounce the single-sales factor interstate income division formula that threatens to eviscerate what is left of the state corporate tax and renegotiate a balanced formula that all states can follow.

**Corporate Tax Disclosure:** Still another change in state policy is critical: states need to require corporations to disclose publicly, on a state-by-state basis, the amount of corporate income tax they pay and the major factors determining that liability (or lack thereof). Studies like this one can show that there’s a serious problem with the state corporate tax on a national basis. However, without some clearer sense of the specific states in which tax payments are low—or nonexistent—and whether the low payments are due to “nexus” thresholds, income-division rules, the definition of taxable profits, and/or tax credits, policymakers cannot readily identify what they can do to rectify the situation.

## **Conclusion**

**T**he data in this report show in stark terms just how successful large, multistate corporations have become at shirking their tax responsibilities to state and local governments. They have been abetted in this effort by America’s major accounting firms, used heavy lobbying and even threats, and often persuaded state elected officials to become their facilitators, too. As a result, individual taxpayers and purely in-state (usually smaller) businesses are paying a heavy price, in the form of higher taxes, reduced public services and unfair competition.

State taxpayers can continue to tolerate this situation, or they can call on their elected representatives to take steps to address it. This report outlines some pathways to state corporate tax reform. If adopted, they would help restore state corporate income taxes as the progressive—and popular—way to pay for needed state programs that they used to be.

### State Income Taxes for 252 Major Corporations, 2001–2003, by 3-Year Tax Rate (\$-millions)

Company	2003			2002			2001			All 3 Years		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Ingram Micro	9	—	—	36	1	2.8%	36	-7	-18.8%	81	-6	-7.2%
Nucor	67	-12	-17.5%	230	-17	-7.5%	179	3	1.9%	476	-25	-5.4%
Toys "R" Us	119	-28	-23.6%	225	-2	-0.9%	205	8	3.9%	549	-22	-4.0%
Wesco International	30	-1	-2.9%	20	1	2.9%	30	-2	-5.0%	79	-2	-2.3%
Boeing	1,037	-32	-3.1%	2,125	-78	-3.7%	2,479	69	2.8%	5,641	-41	-0.7%
OGE Energy	209	-6	-2.9%	126	-1	-0.5%	147	3	2.3%	482	-3	-0.7%
AT&T	2,473	-250	-10.1%	2,885	-19	-0.7%	8,014	188	2.3%	13,371	-81	-0.6%
Manpower	52	—	—	25	-0	-1.2%	34	-0	-0.9%	111	-1	-0.5%
Pitney Bowes	620	-2	-0.3%	461	-24	-5.2%	734	19	2.6%	1,815	-7	-0.4%
Eli Lilly	1,603	-6	-0.4%	1,759	-13	-0.8%	1,929	2	0.1%	5,291	-17	-0.3%
Avon	302	—	—	271	-3	-1.2%	170	2	0.9%	743	-2	-0.2%
Merrill Lynch	3,529	—	—	2,018	—	—	3,220	—	—	8,767	—	—
Reebok	32	—	—	24	—	—	2	—	—	58	—	—
ITT Industries	283	—	—	288	—	—	244	—	—	815	—	—
Lexmark	306	—	—	259	—	—	175	—	—	740	—	—
Metlife	1,808	22	1.2%	2,068	-17	-0.8%	2,922	-4	-0.1%	6,798	1	0.0%
Southwest Airlines	708	—	—	393	—	—	828	1	0.1%	1,928	1	0.0%
Advance Auto Parts	198	—	—	91	—	—	31	0	0.7%	321	0	0.1%
Praxair	210	—	—	223	1	0.3%	208	—	—	641	1	0.1%
BB&T	1,408	-13	-0.9%	1,759	11	0.6%	1,483	8	0.6%	4,651	7	0.1%
Apache	918	—	—	287	0	0.1%	605	5	0.7%	1,811	5	0.3%
Sara Lee	1,054	-12	-1.1%	754	20	2.6%	1,257	1	0.1%	3,065	9	0.3%
General Dynamics	1,159	—	—	1,379	—	—	1,272	12	1.0%	3,810	12	0.3%
FPL Group	1,261	-21	-1.7%	939	-22	-2.3%	1,160	55	4.7%	3,360	12	0.4%
American Financial Group	295	1	0.2%	180	0	0.1%	99	1	1.2%	574	2	0.4%
Burlington Northern Santa Fe	1,231	5	0.4%	1,216	2	0.2%	1,173	8	0.7%	3,620	15	0.4%
Suntrust	1,921	14	0.7%	1,886	-16	-0.8%	2,022	27	1.4%	5,829	26	0.4%
CenterPoint Energy	665	5	0.8%	567	6	1.1%	802	-2	-0.2%	2,035	9	0.5%
John Hancock	1,162	4	0.3%	522	4	0.7%	760	5	0.6%	2,443	12	0.5%
Dillard's	18	-2	-9.1%	204	2	0.7%	137	2	1.4%	359	2	0.5%
Valero Energy	639	4	0.7%	44	—	—	895	4	0.4%	1,578	8	0.5%
Performance Food Group	114	-1	-0.4%	104	2	2.0%	76	—	—	294	2	0.5%
Boston Scientific	266	—	—	373	—	—	44	4	8.3%	683	4	0.5%
Ball	188	7	3.5%	224	4	1.8%	113	-8	-6.8%	525	3	0.5%
Ikon Office Solutions	147	1	0.4%	197	-0	-0.2%	153	2	1.6%	497	3	0.5%
Devon Energy	1,606	1	0.0%	354	10	2.8%	492	4	0.8%	2,452	15	0.6%
American Axle & Manufacturing	285	2	0.8%	263	1	0.5%	162	1	0.4%	710	4	0.6%
Becton Dickinson	327	—	—	335	5	1.4%	351	2	0.5%	1,013	6	0.6%
Cardinal Health	1,761	18	1.0%	1,493	10	0.7%	1,149	—	—	4,403	28	0.6%
Caterpillar	489	2	0.4%	343	—	—	741	8	1.1%	1,573	10	0.7%
Anadarko Petroleum	1,359	4	0.3%	706	8	1.1%	130	4	3.1%	2,195	15	0.7%
American Standard Companies	549	4	0.8%	556	5	0.9%	512	3	0.6%	1,617	12	0.7%
PepsiCo	3,245	21	0.7%	3,220	31	1.0%	2,697	17	0.6%	9,162	70	0.8%
Union Pacific	1,637	31	1.9%	1,945	4	0.2%	1,479	4	0.3%	5,061	39	0.8%
SBC Communications	8,901	-38	-0.4%	10,460	109	1.0%	11,218	189	1.7%	30,579	260	0.9%
Maytag	184	-2	-0.9%	293	1	0.4%	197	6	3.1%	674	6	0.9%
Sears	5,279	83	1.6%	2,319	—	—	1,291	-4	-0.3%	8,889	79	0.9%
MBNA	3,393	35	1.0%	2,741	11	0.4%	2,759	35	1.3%	8,892	80	0.9%
Ryder	152	3	1.9%	120	—	—	49	0	0.0%	321	3	0.9%
United Technologies	1,530	28	1.8%	1,900	7	0.4%	1,773	13	0.7%	5,204	48	0.9%
Goodrich	91	—	—	257	4	1.5%	254	2	0.7%	601	6	0.9%

### State Income Taxes for 252 Major Corporations, 2001–2003, by 3-Year Tax Rate (\$-millions)

Company	2003			2002			2001			All 3 Years		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
L-3 Communications	404	9	2.1%	295	—	—	205	—	—	905	9	1.0%
Computer Sciences	569	11	1.8%	409	1	0.3%	325	1	0.3%	1,303	13	1.0%
UnitedHealth	2,840	8	0.3%	2,096	34	1.6%	1,555	22	1.4%	6,491	64	1.0%
NCR	106	3	2.8%	295	4	1.4%	315	0	0.0%	715	7	1.0%
Tech Data	101	0	0.3%	137	1	0.5%	107	2	2.3%	345	3	1.0%
Regions	928	14	1.5%	887	9	1.0%	811	4	0.5%	2,627	27	1.0%
Amgen	2,217	25	1.1%	1,947	—	—	1,653	36	2.2%	5,818	61	1.0%
Whirlpool	454	5	1.2%	353	-6	-1.7%	381	14	3.6%	1,189	13	1.1%
Cendant	1,810	16	0.9%	1,234	14	1.1%	612	11	1.8%	3,656	40	1.1%
Dover	238	3	1.2%	212	—	—	199	4	2.1%	650	7	1.1%
IBM	4,611	11	0.2%	3,838	147	3.8%	5,644	—	—	14,093	158	1.1%
Anthem	1,219	11	0.9%	808	11	1.3%	541	8	1.4%	2,568	29	1.1%
MGM Mirage	347	4	1.0%	434	3	0.7%	272	6	2.1%	1,053	12	1.2%
Fifth Third	2,630	36	1.4%	2,434	19	0.8%	1,703	27	1.6%	6,767	82	1.2%
Eaton	325	15	4.5%	292	2	0.6%	323	-5	-1.6%	939	11	1.2%
Fisher Scientific International	36	1	3.7%	85	0	0.3%	6	—	—	128	2	1.2%
Parker Hannifin	161	1	0.9%	200	0	0.0%	469	9	1.9%	830	10	1.2%
Affiliated Computer Services	481	6	1.2%	353	5	1.5%	216	3	1.2%	1,050	13	1.3%
Omnicare	302	3	0.9%	205	5	2.5%	134	1	0.6%	642	9	1.3%
Tribune Company	1,408	—	—	930	9	0.9%	419	28	6.7%	2,757	37	1.3%
Bank of New York	1,623	6	0.4%	1,417	12	0.8%	1,824	50	2.8%	4,864	69	1.4%
VF Corporation	436	7	1.7%	402	1	0.2%	359	9	2.6%	1,196	17	1.4%
Abbott Laboratories	2,321	24	1.1%	2,672	11	0.4%	1,718	62	3.6%	6,711	98	1.5%
Saks	110	2	1.9%	156	0	0.1%	10	2	18.2%	275	4	1.5%
General Mills	1,398	30	2.2%	1,202	19	1.6%	751	—	—	3,351	49	1.5%
Emerson	843	7	0.8%	1,124	11	0.9%	1,288	32	2.5%	3,254	49	1.5%
Principal Group	939	15	1.6%	646	22	3.4%	472	-5	-1.2%	2,056	31	1.5%
Cinergy	581	23	4.0%	560	-4	-0.7%	717	9	1.3%	1,859	28	1.5%
SPX	395	5	1.4%	488	10	2.0%	408	5	1.2%	1,291	20	1.5%
Pfizer	6,162	74	1.2%	4,509	167	3.7%	4,088	—	—	14,759	241	1.6%
Dean Foods	556	10	1.8%	417	5	1.3%	225	4	2.0%	1,199	20	1.7%
BellSouth	5,214	125	2.4%	4,018	29	0.7%	3,652	66	1.8%	12,884	220	1.7%
Newell Rubbermaid	250	2	0.6%	499	7	1.5%	391	12	2.9%	1,140	20	1.8%
Gillette	814	16	1.9%	928	10	1.1%	424	13	3.0%	2,166	39	1.8%
General Electric	11,090	264	2.4%	12,110	111	0.9%	14,297	313	2.2%	37,497	688	1.8%
Smith International	63	—	—	40	2	3.8%	174	4	2.1%	277	5	1.9%
Burlington Resources	983	8	0.8%	548	11	2.0%	470	18	3.8%	2,001	37	1.9%
Leggett & Platt	313	4	1.3%	362	7	1.8%	312	8	2.5%	986	18	1.9%
Procter & Gamble	4,979	73	1.5%	4,271	93	2.2%	3,583	75	2.1%	12,832	242	1.9%
Pepsi Bottling	569	7	1.2%	592	10	1.6%	424	14	3.2%	1,585	30	1.9%
Dominion Resources	1,534	20	1.3%	2,008	9	0.5%	1,026	60	5.8%	4,568	89	1.9%
Alltel	1,524	35	2.3%	1,359	-2	-0.2%	1,709	58	3.4%	4,592	91	2.0%
Archer Daniels Midland	357	1	0.3%	441	12	2.7%	243	8	3.2%	1,040	21	2.0%
3M	1,824	63	3.5%	1,654	—	—	1,456	37	2.6%	4,935	100	2.0%
Illinois Tool Works	1,067	23	2.2%	1,190	27	2.2%	975	17	1.7%	3,232	67	2.1%
Mohawk Industries	488	9	1.9%	444	2	0.5%	293	14	4.8%	1,226	25	2.1%
PPL	825	12	1.5%	416	-9	-2.2%	607	35	5.8%	1,849	39	2.1%
Norfolk Southern	586	11	1.8%	706	6	0.8%	553	22	3.9%	1,845	38	2.1%
Bed Bath & Beyond	650	12	1.8%	491	13	2.6%	357	6	1.8%	1,498	31	2.1%
Goldman Sachs	3,105	97	3.1%	1,850	14	0.8%	2,418	43	1.8%	7,373	154	2.1%
CSX	186	7	3.6%	648	17	2.6%	379	2	0.6%	1,213	25	2.1%

### State Income Taxes for 252 Major Corporations, 2001–2003, by 3-Year Tax Rate (\$-millions)

Company	2003			2002			2001			All 3 Years		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Kimberly-Clark	1,652	41	2.5%	1,758	18	1.0%	1,742	49	2.8%	5,152	108	2.1%
Consolidated Edison	860	7	0.9%	1,088	-6	-0.6%	1,169	65	5.5%	3,117	66	2.1%
Triad Hospitals	173	4	2.4%	242	6	2.5%	97	1	0.7%	513	11	2.1%
McKesson	702	22	3.2%	675	18	2.6%	480	—	—	1,857	40	2.2%
KeyCorp	1,165	26	2.2%	1,056	30	2.8%	1,095	17	1.6%	3,316	73	2.2%
Morgan Stanley	4,275	37	0.9%	3,252	77	2.4%	4,205	143	3.4%	11,732	258	2.2%
Comerica	912	22	2.5%	974	13	1.4%	1,150	31	2.7%	3,036	67	2.2%
Danaher	566	13	2.3%	494	10	2.1%	476	10	2.2%	1,536	34	2.2%
Aramark	374	7	1.8%	362	6	1.7%	238	10	4.0%	974	22	2.3%
Brinker International	251	6	2.3%	229	4	1.6%	220	7	3.1%	700	16	2.3%
JPMorgan Chase	6,590	169	2.6%	2,594	80	3.1%	1,961	11	0.6%	11,145	260	2.3%
Rockwell Automation	209	—	—	120	7	5.8%	116	4	3.1%	446	11	2.4%
Coventry Health Care	393	6	1.5%	226	4	2.0%	143	8	5.3%	762	18	2.4%
Sonic Automotive	134	2	1.8%	177	4	2.5%	137	4	2.7%	448	11	2.4%
Hughes Supply	97	2	2.6%	102	2	1.9%	81	2	2.8%	280	7	2.4%
Bank of America	15,633	335	2.1%	13,252	408	3.1%	10,636	204	1.9%	39,521	947	2.4%
Harley-Davidson	1,166	31	2.7%	886	18	2.0%	675	17	2.5%	2,727	66	2.4%
Dollar General	480	11	2.4%	415	11	2.6%	328	8	2.3%	1,222	30	2.4%
Yum Brands	665	-4	-0.6%	666	16	2.3%	598	36	6.0%	1,929	47	2.5%
Family Dollar Stores	390	12	3.0%	342	8	2.2%	298	6	2.0%	1,030	25	2.5%
Nash Finch	52	0	0.5%	50	1	2.3%	39	2	5.2%	141	3	2.5%
Waste Management	1,124	17	1.6%	1,266	25	2.0%	801	37	4.7%	3,191	80	2.5%
Graybar Electric	15	1	3.4%	19	1	2.7%	51	1	2.2%	85	2	2.5%
Kohl's	950	22	2.3%	1,034	30	2.9%	804	19	2.4%	2,789	71	2.5%
Campbell Soup	752	13	1.7%	685	19	2.7%	835	26	3.2%	2,272	58	2.5%
ConAgra	1,151	29	2.5%	1,154	28	2.5%	1,053	29	2.7%	3,358	86	2.6%
Pulte Homes	992	19	1.9%	718	20	2.8%	490	17	3.5%	2,200	56	2.6%
Mellon Financial	709	10	1.5%	1,430	29	2.0%	694	34	4.9%	2,834	73	2.6%
Wal-Mart	12,075	319	2.6%	10,490	214	2.0%	9,168	285	3.1%	31,733	818	2.6%
Wachovia	5,403	60	1.1%	4,255	201	4.7%	3,529	81	2.3%	13,188	342	2.6%
Timken	52	1	1.6%	179	4	2.2%	41	2	5.7%	273	7	2.6%
Harrah's Entertainment	483	13	2.6%	534	19	3.6%	363	5	1.3%	1,380	37	2.6%
Brunswick	160	6	4.0%	149	-5	-3.4%	116	10	8.6%	425	11	2.7%
Time Warner	4,317	93	2.2%	1,469	78	5.3%	614	—	—	6,400	171	2.7%
Disney, Walt	1,802	38	2.1%	1,791	54	3.0%	2,586	74	2.9%	6,179	165	2.7%
Tyson Foods	466	10	2.1%	536	17	3.2%	187	5	2.7%	1,189	32	2.7%
Clorox	719	12	1.7%	620	14	2.2%	427	21	5.0%	1,766	48	2.7%
PepsiAmericas	243	9	3.7%	232	5	2.3%	255	5	2.1%	730	20	2.7%
UPS (United Parcel Service)	4,089	90	2.2%	5,037	129	2.6%	3,929	133	3.4%	13,055	352	2.7%
Supervalu	463	14	3.1%	368	10	2.7%	357	8	2.2%	1,187	32	2.7%
Engelhard	179	4	2.2%	226	12	5.3%	192	0	0.2%	597	16	2.7%
Wells Fargo	9,545	139	1.5%	8,952	260	2.9%	6,055	267	4.4%	24,552	667	2.7%
Estee Lauder	189	4	2.0%	120	6	5.0%	288	6	2.2%	597	16	2.7%
Public Service Enterprise Group	1,341	-28	-2.1%	661	50	7.6%	1,141	64	5.6%	3,143	86	2.7%
Jones Apparel	520	14	2.8%	519	17	3.3%	415	8	2.0%	1,454	40	2.7%
TXU	917	11	1.2%	335	7	1.9%	828	40	4.9%	2,081	58	2.8%
Citigroup	18,648	444	2.4%	12,621	524	4.2%	12,932	265	2.1%	44,201	1,233	2.8%
Gannett	1,744	63	3.6%	1,721	42	2.4%	1,420	31	2.2%	4,885	136	2.8%
Avery Dennison	152	8	5.1%	194	1	0.6%	183	6	3.2%	529	15	2.8%
ExxonMobil	9,422	316	3.4%	4,316	94	2.2%	8,265	205	2.5%	22,003	616	2.8%
AutoNation	596	14	2.3%	622	17	2.8%	436	15	3.5%	1,653	46	2.8%

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Company	2003			2002			2001			All 3 Years		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Fluor	113	6	5.7%	116	1	1.0%	41	—	—	271	8	2.8%
Foot Locker	185	14	7.4%	157	4	2.7%	115	-5	-4.4%	457	13	2.8%
Shaw Group	16	2	9.8%	144	6	4.3%	124	0	0.3%	284	8	2.8%
PNC	1,559	38	2.4%	1,969	46	2.4%	602	33	5.5%	4,130	117	2.8%
Autozone	827	24	2.8%	670	17	2.5%	326	12	3.6%	1,824	52	2.8%
U.S. Bancorp	5,570	133	2.4%	4,795	141	2.9%	3,508	125	3.6%	13,873	399	2.9%
Hershey	708	20	2.8%	590	7	1.2%	355	20	5.7%	1,653	48	2.9%
NiSource	660	24	3.6%	617	-3	-0.5%	451	29	6.4%	1,728	50	2.9%
AmerisourceBergen	722	17	2.3%	574	23	4.0%	208	4	1.7%	1,504	44	2.9%
Darden Restaurants	345	9	2.5%	360	10	2.9%	296	10	3.5%	1,002	29	2.9%
Countrywide Financial	3,805	121	3.2%	1,334	35	2.6%	783	23	3.0%	5,922	179	3.0%
Marriott International	405	21	5.2%	364	16	4.3%	410	—	—	1,178	37	3.1%
Johnson Controls	979	29	3.0%	862	27	3.1%	660	22	3.3%	2,501	78	3.1%
Hormel	285	8	2.9%	293	9	3.2%	284	9	3.2%	863	27	3.1%
FedEx	1,227	23	1.9%	1,043	34	3.3%	824	42	5.1%	3,094	99	3.2%
Entergy	579	18	3.1%	1,627	39	2.4%	1,173	52	4.4%	3,379	109	3.2%
Sherwin-Williams	523	15	2.8%	497	16	3.2%	424	16	3.9%	1,445	47	3.3%
Automatic Data Processing	1,475	59	4.0%	1,619	55	3.4%	1,375	32	2.4%	4,469	146	3.3%
Charles Schwab	642	19	2.9%	347	-1	-0.3%	410	29	7.0%	1,399	46	3.3%
Kroger	1,195	35	3.0%	1,886	70	3.7%	1,804	57	3.2%	4,886	163	3.3%
Textron	246	15	6.1%	465	15	3.2%	891	24	2.7%	1,603	53	3.3%
ConocoPhillips	4,093	132	3.2%	909	54	5.9%	3,178	89	2.8%	8,181	275	3.4%
Energy East	366	12	3.3%	304	10	3.2%	419	15	3.6%	1,089	37	3.4%
Intel	6,364	186	2.9%	2,321	96	4.1%	1,559	67	4.3%	10,244	349	3.4%
American Electric Power	935	19	2.0%	800	32	4.0%	1,543	61	3.9%	3,277	112	3.4%
State Street	936	51	5.4%	1,409	36	2.6%	931	26	2.7%	3,276	112	3.4%
Caremark RX	485	10	2.1%	334	14	4.2%	206	11	5.5%	1,025	36	3.5%
Best Buy	1,259	42	3.3%	1,006	45	4.5%	904	24	2.7%	3,169	111	3.5%
PPG Industries	498	28	5.6%	545	19	3.5%	554	10	1.7%	1,596	56	3.5%
Southern	2,086	37	1.8%	1,846	60	3.3%	1,677	102	6.1%	5,609	199	3.6%
Coca-Cola Company	2,029	82	4.0%	2,001	53	2.7%	2,364	92	3.9%	6,394	227	3.6%
Baxter	826	2	0.3%	602	—	—	527	67	12.7%	1,955	69	3.6%
Omnicom	702	12	1.7%	700	33	4.7%	663	29	4.4%	2,065	74	3.6%
Prudential Financial	1,849	23	1.2%	103	2	1.9%	396	60	15.1%	2,348	85	3.6%
Henry Schein	214	9	4.0%	186	8	4.2%	141	3	2.3%	541	20	3.6%
HCA	2,168	72	3.3%	1,472	78	5.3%	1,545	39	2.5%	5,184	188	3.6%
Borders	195	8	4.1%	195	7	3.7%	149	5	3.1%	539	20	3.7%
Oracle	2,114	58	2.7%	1,925	81	4.2%	2,131	89	4.2%	6,170	228	3.7%
Lowe's	2,998	119	4.0%	2,339	77	3.3%	1,603	61	3.8%	6,940	257	3.7%
CarMax	189	8	4.2%	163	5	3.3%	146	5	3.5%	499	19	3.7%
CDW	290	15	5.2%	306	9	2.9%	280	9	3.3%	876	33	3.8%
Masco	1,172	42	3.6%	562	29	5.1%	474	15	3.1%	2,208	85	3.9%
Starbucks	431	19	4.4%	335	9	2.7%	267	12	4.6%	1,033	41	3.9%
Pepco Holdings	174	36	20.7%	335	-17	-5.1%	247	11	4.5%	755	30	3.9%
BJ's Wholesale Club	168	6	3.8%	236	7	2.8%	133	8	6.1%	537	21	4.0%
Nordstrom	398	16	3.9%	196	10	5.1%	204	6	3.0%	798	32	4.0%
Exelon	2,349	88	3.8%	2,668	94	3.5%	2,474	115	4.7%	7,491	298	4.0%
Stryker	244	14	5.9%	262	3	1.1%	241	12	5.1%	747	30	4.0%
Ross Stores	375	15	4.1%	330	13	4.0%	255	10	3.9%	959	38	4.0%
United Stationers	122	4	3.4%	87	3	3.4%	121	6	5.1%	330	13	4.0%
Altria (Philip Morris)	8,201	368	4.5%	12,179	422	3.5%	10,044	443	4.4%	30,424	1,232	4.0%

### State Income Taxes for 252 Major Corporations, 2001–2003, by 3-Year Tax Rate (\$-millions)

Company	2003			2002			2001			All 3 Years		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Target	2,960	116	3.9%	2,676	107	4.0%	2,207	96	4.4%	7,843	319	4.1%
Radio Shack	457	19	4.1%	386	13	3.4%	342	18	5.2%	1,185	50	4.2%
Liz Claiborne	343	14	4.0%	305	15	4.8%	255	10	3.9%	903	38	4.3%
Walgreen	1,889	76	4.0%	1,637	75	4.6%	1,423	61	4.3%	4,949	213	4.3%
Publix	1,063	46	4.4%	1,003	42	4.1%	827	37	4.5%	2,892	125	4.3%
Weyerhaeuser	514	29	5.6%	379	25	6.7%	685	16	2.3%	1,578	70	4.4%
Kinder Morgan	626	23	3.6%	443	17	3.9%	385	25	6.4%	1,454	65	4.4%
Ryland Group	396	15	3.8%	309	15	4.8%	218	11	5.3%	924	41	4.5%
Marathon Oil	1,143	56	4.9%	504	21	4.2%	1,975	85	4.3%	3,622	162	4.5%
NVR	696	30	4.3%	536	21	4.0%	402	22	5.4%	1,634	73	4.5%
Pacificare Health Systems	489	25	5.1%	222	4	1.8%	109	8	7.4%	820	37	4.5%
New York Times	498	20	3.9%	492	—	—	366	42	11.4%	1,357	61	4.5%
Peter Kiewit Sons'	252	14	5.6%	303	15	5.0%	278	9	3.2%	833	38	4.6%
Home Depot	6,440	303	4.7%	5,571	227	4.1%	4,783	241	5.0%	16,794	771	4.6%
Oxford Health Plans	583	22	3.7%	377	34	9.0%	512	13	2.5%	1,472	68	4.6%
Quest Diagnostics	738	46	6.3%	542	16	2.9%	334	13	4.0%	1,614	75	4.7%
Anheuser-Busch	2,734	132	4.8%	2,548	111	4.3%	2,323	117	5.1%	7,604	360	4.7%
McDonald's	1,112	55	5.0%	968	44	4.5%	1,009	48	4.7%	3,090	147	4.8%
Adolph Coors	134	0	0.2%	134	9	6.9%	197	13	6.7%	465	23	4.8%
C.H. Robinson	180	9	5.0%	148	7	4.9%	134	6	4.7%	462	23	4.9%
May Department Stores	617	38	6.2%	844	32	3.8%	1,139	57	5.0%	2,600	127	4.9%
Golden West Financial	1,798	85	4.7%	1,575	68	4.3%	1,354	80	5.9%	4,727	233	4.9%
Constellation Energy	745	34	4.5%	835	24	2.9%	120	27	22.4%	1,701	85	5.0%
Genuine Parts	607	27	4.4%	509	28	5.5%	619	32	5.2%	1,735	87	5.0%
Jacobs Engineering Group	143	7	4.8%	131	7	5.2%	103	5	5.1%	377	19	5.0%
TJX	947	53	5.6%	848	46	5.4%	830	39	4.7%	2,624	138	5.3%
Kellogg's	799	39	4.9%	788	44	5.6%	506	30	5.9%	2,093	113	5.4%
CVS	1,352	77	5.7%	1,103	56	5.1%	954	52	5.4%	3,409	185	5.4%
Limited Brands	1,132	63	5.6%	781	47	6.0%	823	40	4.8%	2,736	150	5.5%
Lehman Brothers	1,884	59	3.1%	993	148	14.9%	1,804	53	2.9%	4,681	260	5.6%
United Auto Group	117	5	4.7%	88	6	6.3%	83	5	6.2%	287	16	5.6%
Costco	929	57	6.1%	931	44	4.7%	825	50	6.0%	2,685	150	5.6%
Merck	4,111	226	5.5%	4,536	282	6.2%	4,875	263	5.4%	13,522	771	5.7%
Reliant Resources	173	34	19.9%	234	32	13.5%	804	4	0.5%	1,210	70	5.8%
Health Net	518	31	6.0%	353	12	3.5%	152	16	10.3%	1,023	59	5.8%
Wellpoint Health	1,559	97	6.2%	1,157	60	5.2%	699	40	5.8%	3,414	197	5.8%
Humana	345	11	3.2%	210	22	10.7%	183	9	5.0%	738	43	5.8%
Sempra Energy	551	16	2.8%	584	30	5.1%	651	60	9.2%	1,786	105	5.9%
Nike	608	35	5.8%	445	31	7.1%	511	30	5.8%	1,564	96	6.1%
Viacom	4,219	211	5.0%	3,274	245	7.5%	2,663	176	6.6%	10,156	633	6.2%
Federated Department Stores	1,081	48	4.4%	1,042	85	8.2%	778	57	7.4%	2,901	191	6.6%
Bear Stearns	1,705	120	7.0%	1,297	64	4.9%	912	83	9.1%	3,914	267	6.8%
Kelly Services	21	3	13.0%	43	2	5.4%	39	2	5.2%	102	7	6.9%
Unisys	167	16	9.8%	110	7	6.5%	83	3	3.3%	360	26	7.3%
McGraw Hill	1,036	115	11.1%	810	33	4.0%	673	35	5.2%	2,520	184	7.3%
Verizon	4,555	265	5.8%	6,129	487	7.9%	2,571	240	9.3%	13,256	991	7.5%
Autoliv	55	7	12.5%	72	7	9.5%	59	0	0.3%	186	14	7.5%
Emcor	55	5	8.8%	109	8	7.0%	84	7	8.4%	248	19	7.9%
<b>All 252 Companies</b>	<b>367,131</b>	<b>8,574</b>	<b>2.3%</b>	<b>314,589</b>	<b>8,217</b>	<b>2.6%</b>	<b>298,831</b>	<b>8,615</b>	<b>2.9%</b>	<b>980,551</b>	<b>25,406</b>	<b>2.6%</b>



**State Income Taxes for 252 Major Corporations, 2001–2003, Alphabetical (\$-millions)**

Company	2003			2002			2001			All 3 Years		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Abbott Laboratories	2,321	24	1.1%	2,672	11	0.4%	1,718	62	3.6%	6,711	98	1.5%
Adolph Coors	134	0	0.2%	134	9	6.9%	197	13	6.7%	465	23	4.8%
Advance Auto Parts	198	—	—	91	—	—	31	0	0.7%	321	0	0.1%
Affiliated Computer Services	481	6	1.2%	353	5	1.5%	216	3	1.2%	1,050	13	1.3%
Alltel	1,524	35	2.3%	1,359	-2	-0.2%	1,709	58	3.4%	4,592	91	2.0%
Altria (Philip Morris)	8,201	368	4.5%	12,179	422	3.5%	10,044	443	4.4%	30,424	1,232	4.0%
American Axle & Manufacturing	285	2	0.8%	263	1	0.5%	162	1	0.4%	710	4	0.6%
American Electric Power	935	19	2.0%	800	32	4.0%	1,543	61	3.9%	3,277	112	3.4%
American Financial Group	295	1	0.2%	180	0	0.1%	99	1	1.2%	574	2	0.4%
American Standard Companies	549	4	0.8%	556	5	0.9%	512	3	0.6%	1,617	12	0.7%
AmerisourceBergen	722	17	2.3%	574	23	4.0%	208	4	1.7%	1,504	44	2.9%
Amgen	2,217	25	1.1%	1,947	—	—	1,653	36	2.2%	5,818	61	1.0%
Anadarko Petroleum	1,359	4	0.3%	706	8	1.1%	130	4	3.1%	2,195	15	0.7%
Anheuser-Busch	2,734	132	4.8%	2,548	111	4.3%	2,323	117	5.1%	7,604	360	4.7%
Anthem	1,219	11	0.9%	808	11	1.3%	541	8	1.4%	2,568	29	1.1%
Apache	918	—	—	287	0	0.1%	605	5	0.7%	1,811	5	0.3%
Aramark	374	7	1.8%	362	6	1.7%	238	10	4.0%	974	22	2.3%
Archer Daniels Midland	357	1	0.3%	441	12	2.7%	243	8	3.2%	1,040	21	2.0%
AT&T	2,473	-250	-10.1%	2,885	-19	-0.7%	8,014	188	2.3%	13,371	-81	-0.6%
Autoliv	55	7	12.5%	72	7	9.5%	59	0	0.3%	186	14	7.5%
Automatic Data Processing	1,475	59	4.0%	1,619	55	3.4%	1,375	32	2.4%	4,469	146	3.3%
AutoNation	596	14	2.3%	622	17	2.8%	436	15	3.5%	1,653	46	2.8%
Autozone	827	24	2.8%	670	17	2.5%	326	12	3.6%	1,824	52	2.8%
Avery Dennison	152	8	5.1%	194	1	0.6%	183	6	3.2%	529	15	2.8%
Avon	302	—	—	271	-3	-1.2%	170	2	0.9%	743	-2	-0.2%
Ball	188	7	3.5%	224	4	1.8%	113	-8	-6.8%	525	3	0.5%
Bank of America	15,633	335	2.1%	13,252	408	3.1%	10,636	204	1.9%	39,521	947	2.4%
Bank of New York	1,623	6	0.4%	1,417	12	0.8%	1,824	50	2.8%	4,864	69	1.4%
Baxter	826	2	0.3%	602	—	—	527	67	12.7%	1,955	69	3.6%
BB&T	1,408	-13	-0.9%	1,759	11	0.6%	1,483	8	0.6%	4,651	7	0.1%
Bear Stearns	1,705	120	7.0%	1,297	64	4.9%	912	83	9.1%	3,914	267	6.8%
Becton Dickinson	327	—	—	335	5	1.4%	351	2	0.5%	1,013	6	0.6%
Bed Bath & Beyond	650	12	1.8%	491	13	2.6%	357	6	1.8%	1,498	31	2.1%
BellSouth	5,214	125	2.4%	4,018	29	0.7%	3,652	66	1.8%	12,884	220	1.7%
Best Buy	1,259	42	3.3%	1,006	45	4.5%	904	24	2.7%	3,169	111	3.5%
BJ's Wholesale Club	168	6	3.8%	236	7	2.8%	133	8	6.1%	537	21	4.0%
Boeing	1,037	-32	-3.1%	2,125	-78	-3.7%	2,479	69	2.8%	5,641	-41	-0.7%
Borders	195	8	4.1%	195	7	3.7%	149	5	3.1%	539	20	3.7%
Boston Scientific	266	—	—	373	—	—	44	4	8.3%	683	4	0.5%
Brinker International	251	6	2.3%	229	4	1.6%	220	7	3.1%	700	16	2.3%
Brunswick	160	6	4.0%	149	-5	-3.4%	116	10	8.6%	425	11	2.7%
Burlington Northern Santa Fe	1,231	5	0.4%	1,216	2	0.2%	1,173	8	0.7%	3,620	15	0.4%
Burlington Resources	983	8	0.8%	548	11	2.0%	470	18	3.8%	2,001	37	1.9%
C.H. Robinson	180	9	5.0%	148	7	4.9%	134	6	4.7%	462	23	4.9%
Campbell Soup	752	13	1.7%	685	19	2.7%	835	26	3.2%	2,272	58	2.5%
Cardinal Health	1,761	18	1.0%	1,493	10	0.7%	1,149	—	—	4,403	28	0.6%
Caremark RX	485	10	2.1%	334	14	4.2%	206	11	5.5%	1,025	36	3.5%
CarMax	189	8	4.2%	163	5	3.3%	146	5	3.5%	499	19	3.7%
Caterpillar	489	2	0.4%	343	—	—	741	8	1.1%	1,573	10	0.7%
CDW	290	15	5.2%	306	9	2.9%	280	9	3.3%	876	33	3.8%
Cendant	1,810	16	0.9%	1,234	14	1.1%	612	11	1.8%	3,656	40	1.1%

**State Income Taxes for 252 Major Corporations, 2001–2003, Alphabetical (\$-millions)**

Company	2003			2002			2001			All 3 Years		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
CenterPoint Energy	665	5	0.8%	567	6	1.1%	802	-2	-0.2%	2,035	9	0.5%
Charles Schwab	642	19	2.9%	347	-1	-0.3%	410	29	7.0%	1,399	46	3.3%
Cinergy	581	23	4.0%	560	-4	-0.7%	717	9	1.3%	1,859	28	1.5%
Citigroup	18,648	444	2.4%	12,621	524	4.2%	12,932	265	2.1%	44,201	1,233	2.8%
Clorox	719	12	1.7%	620	14	2.2%	427	21	5.0%	1,766	48	2.7%
Coca-Cola Company	2,029	82	4.0%	2,001	53	2.7%	2,364	92	3.9%	6,394	227	3.6%
Comerica	912	22	2.5%	974	13	1.4%	1,150	31	2.7%	3,036	67	2.2%
Computer Sciences	569	11	1.8%	409	1	0.3%	325	1	0.3%	1,303	13	1.0%
ConAgra	1,151	29	2.5%	1,154	28	2.5%	1,053	29	2.7%	3,358	86	2.6%
ConocoPhillips	4,093	132	3.2%	909	54	5.9%	3,178	89	2.8%	8,181	275	3.4%
Consolidated Edison	860	7	0.9%	1,088	-6	-0.6%	1,169	65	5.5%	3,117	66	2.1%
Constellation Energy	745	34	4.5%	835	24	2.9%	120	27	22.4%	1,701	85	5.0%
Costco	929	57	6.1%	931	44	4.7%	825	50	6.0%	2,685	150	5.6%
Countrywide Financial	3,805	121	3.2%	1,334	35	2.6%	783	23	3.0%	5,922	179	3.0%
Coventry Health Care	393	6	1.5%	226	4	2.0%	143	8	5.3%	762	18	2.4%
CSX	186	7	3.6%	648	17	2.6%	379	2	0.6%	1,213	25	2.1%
CVS	1,352	77	5.7%	1,103	56	5.1%	954	52	5.4%	3,409	185	5.4%
Danaher	566	13	2.3%	494	10	2.1%	476	10	2.2%	1,536	34	2.2%
Darden Restaurants	345	9	2.5%	360	10	2.9%	296	10	3.5%	1,002	29	2.9%
Dean Foods	556	10	1.8%	417	5	1.3%	225	4	2.0%	1,199	20	1.7%
Devon Energy	1,606	1	0.0%	354	10	2.8%	492	4	0.8%	2,452	15	0.6%
Dillard's	18	-2	-9.1%	204	2	0.7%	137	2	1.4%	359	2	0.5%
Disney, Walt	1,802	38	2.1%	1,791	54	3.0%	2,586	74	2.9%	6,179	165	2.7%
Dollar General	480	11	2.4%	415	11	2.6%	328	8	2.3%	1,222	30	2.4%
Dominion Resources	1,534	20	1.3%	2,008	9	0.5%	1,026	60	5.8%	4,568	89	1.9%
Dover	238	3	1.2%	212	—	—	199	4	2.1%	650	7	1.1%
Eaton	325	15	4.5%	292	2	0.6%	323	-5	-1.6%	939	11	1.2%
Eli Lilly	1,603	-6	-0.4%	1,759	-13	-0.8%	1,929	2	0.1%	5,291	-17	-0.3%
Emcor	55	5	8.8%	109	8	7.0%	84	7	8.4%	248	19	7.9%
Emerson	843	7	0.8%	1,124	11	0.9%	1,288	32	2.5%	3,254	49	1.5%
Energy East	366	12	3.3%	304	10	3.2%	419	15	3.6%	1,089	37	3.4%
Engelhard	179	4	2.2%	226	12	5.3%	192	0	0.2%	597	16	2.7%
Entergy	579	18	3.1%	1,627	39	2.4%	1,173	52	4.4%	3,379	109	3.2%
Estee Lauder	189	4	2.0%	120	6	5.0%	288	6	2.2%	597	16	2.7%
Exelon	2,349	88	3.8%	2,668	94	3.5%	2,474	115	4.7%	7,491	298	4.0%
ExxonMobil	9,422	316	3.4%	4,316	94	2.2%	8,265	205	2.5%	22,003	616	2.8%
Family Dollar Stores	390	12	3.0%	342	8	2.2%	298	6	2.0%	1,030	25	2.5%
Federated Department Stores	1,081	48	4.4%	1,042	85	8.2%	778	57	7.4%	2,901	191	6.6%
FedEx	1,227	23	1.9%	1,043	34	3.3%	824	42	5.1%	3,094	99	3.2%
Fifth Third	2,630	36	1.4%	2,434	19	0.8%	1,703	27	1.6%	6,767	82	1.2%
Fisher Scientific International	36	1	3.7%	85	0	0.3%	6	—	—	128	2	1.2%
Fluor	113	6	5.7%	116	1	1.0%	41	—	—	271	8	2.8%
Foot Locker	185	14	7.4%	157	4	2.7%	115	-5	-4.4%	457	13	2.8%
FPL Group	1,261	-21	-1.7%	939	-22	-2.3%	1,160	55	4.7%	3,360	12	0.4%
Gannett	1,744	63	3.6%	1,721	42	2.4%	1,420	31	2.2%	4,885	136	2.8%
General Dynamics	1,159	—	—	1,379	—	—	1,272	12	1.0%	3,810	12	0.3%
General Electric	11,090	264	2.4%	12,110	111	0.9%	14,297	313	2.2%	37,497	688	1.8%
General Mills	1,398	30	2.2%	1,202	19	1.6%	751	—	—	3,351	49	1.5%
Genuine Parts	607	27	4.4%	509	28	5.5%	619	32	5.2%	1,735	87	5.0%
Gillette	814	16	1.9%	928	10	1.1%	424	13	3.0%	2,166	39	1.8%
Golden West Financial	1,798	85	4.7%	1,575	68	4.3%	1,354	80	5.9%	4,727	233	4.9%

**State Income Taxes for 252 Major Corporations, 2001–2003, Alphabetical (\$-millions)**

Company	2003			2002			2001			All 3 Years		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Goldman Sachs	3,105	97	3.1%	1,850	14	0.8%	2,418	43	1.8%	7,373	154	2.1%
Goodrich	91	—	—	257	4	1.5%	254	2	0.7%	601	6	0.9%
Graybar Electric	15	1	3.4%	19	1	2.7%	51	1	2.2%	85	2	2.5%
Harley-Davidson	1,166	31	2.7%	886	18	2.0%	675	17	2.5%	2,727	66	2.4%
Harrah's Entertainment	483	13	2.6%	534	19	3.6%	363	5	1.3%	1,380	37	2.6%
HCA	2,168	72	3.3%	1,472	78	5.3%	1,545	39	2.5%	5,184	188	3.6%
Health Net	518	31	6.0%	353	12	3.5%	152	16	10.3%	1,023	59	5.8%
Henry Schein	214	9	4.0%	186	8	4.2%	141	3	2.3%	541	20	3.6%
Hershey	708	20	2.8%	590	7	1.2%	355	20	5.7%	1,653	48	2.9%
Home Depot	6,440	303	4.7%	5,571	227	4.1%	4,783	241	5.0%	16,794	771	4.6%
Hormel	285	8	2.9%	293	9	3.2%	284	9	3.2%	863	27	3.1%
Hughes Supply	97	2	2.6%	102	2	1.9%	81	2	2.8%	280	7	2.4%
Humana	345	11	3.2%	210	22	10.7%	183	9	5.0%	738	43	5.8%
IBM	4,611	11	0.2%	3,838	147	3.8%	5,644	—	—	14,093	158	1.1%
Ikon Office Solutions	147	1	0.4%	197	—0	—0.2%	153	2	1.6%	497	3	0.5%
Illinois Tool Works	1,067	23	2.2%	1,190	27	2.2%	975	17	1.7%	3,232	67	2.1%
Ingram Micro	9	—	—	36	1	2.8%	36	—7	—18.8%	81	—6	—7.2%
Intel	6,364	186	2.9%	2,321	96	4.1%	1,559	67	4.3%	10,244	349	3.4%
ITT Industries	283	—	—	288	—	—	244	—	—	815	—	—
Jacobs Engineering Group	143	7	4.8%	131	7	5.2%	103	5	5.1%	377	19	5.0%
John Hancock	1,162	4	0.3%	522	4	0.7%	760	5	0.6%	2,443	12	0.5%
Johnson Controls	979	29	3.0%	862	27	3.1%	660	22	3.3%	2,501	78	3.1%
Jones Apparel	520	14	2.8%	519	17	3.3%	415	8	2.0%	1,454	40	2.7%
JPMorgan Chase	6,590	169	2.6%	2,594	80	3.1%	1,961	11	0.6%	11,145	260	2.3%
Kellogg's	799	39	4.9%	788	44	5.6%	506	30	5.9%	2,093	113	5.4%
Kelly Services	21	3	13.0%	43	2	5.4%	39	2	5.2%	102	7	6.9%
KeyCorp	1,165	26	2.2%	1,056	30	2.8%	1,095	17	1.6%	3,316	73	2.2%
Kimberly-Clark	1,652	41	2.5%	1,758	18	1.0%	1,742	49	2.8%	5,152	108	2.1%
Kinder Morgan	626	23	3.6%	443	17	3.9%	385	25	6.4%	1,454	65	4.4%
Kohl's	950	22	2.3%	1,034	30	2.9%	804	19	2.4%	2,789	71	2.5%
Kroger	1,195	35	3.0%	1,886	70	3.7%	1,804	57	3.2%	4,886	163	3.3%
L-3 Communications	404	9	2.1%	295	—	—	205	—	—	905	9	1.0%
Leggett & Platt	313	4	1.3%	362	7	1.8%	312	8	2.5%	986	18	1.9%
Lehman Brothers	1,884	59	3.1%	993	148	14.9%	1,804	53	2.9%	4,681	260	5.6%
Lexmark	306	—	—	259	—	—	175	—	—	740	—	—
Limited Brands	1,132	63	5.6%	781	47	6.0%	823	40	4.8%	2,736	150	5.5%
Liz Claiborne	343	14	4.0%	305	15	4.8%	255	10	3.9%	903	38	4.3%
Lowe's	2,998	119	4.0%	2,339	77	3.3%	1,603	61	3.8%	6,940	257	3.7%
Manpower	52	—	—	25	—0	—1.2%	34	—0	—0.9%	111	—1	—0.5%
Marathon Oil	1,143	56	4.9%	504	21	4.2%	1,975	85	4.3%	3,622	162	4.5%
Marriott International	405	21	5.2%	364	16	4.3%	410	—	—	1,178	37	3.1%
Masco	1,172	42	3.6%	562	29	5.1%	474	15	3.1%	2,208	85	3.9%
May Department Stores	617	38	6.2%	844	32	3.8%	1,139	57	5.0%	2,600	127	4.9%
Maytag	184	—2	—0.9%	293	1	0.4%	197	6	3.1%	674	6	0.9%
MBNA	3,393	35	1.0%	2,741	11	0.4%	2,759	35	1.3%	8,892	80	0.9%
McDonald's	1,112	55	5.0%	968	44	4.5%	1,009	48	4.7%	3,090	147	4.8%
McGraw Hill	1,036	115	11.1%	810	33	4.0%	673	35	5.2%	2,520	184	7.3%
McKesson	702	22	3.2%	675	18	2.6%	480	—	—	1,857	40	2.2%
Mellon Financial	709	10	1.5%	1,430	29	2.0%	694	34	4.9%	2,834	73	2.6%
Merck	4,111	226	5.5%	4,536	282	6.2%	4,875	263	5.4%	13,522	771	5.7%
Merrill Lynch	3,529	—	—	2,018	—	—	3,220	—	—	8,767	—	—

**State Income Taxes for 252 Major Corporations, 2001–2003, Alphabetical (\$-millions)**

Company	2003			2002			2001			All 3 Years		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Metlife	1,808	22	1.2%	2,068	-17	-0.8%	2,922	-4	-0.1%	6,798	1	0.0%
MGM Mirage	347	4	1.0%	434	3	0.7%	272	6	2.1%	1,053	12	1.2%
Mohawk Industries	488	9	1.9%	444	2	0.5%	293	14	4.8%	1,226	25	2.1%
Morgan Stanley	4,275	37	0.9%	3,252	77	2.4%	4,205	143	3.4%	11,732	258	2.2%
Nash Finch	52	0	0.5%	50	1	2.3%	39	2	5.2%	141	3	2.5%
NCR	106	3	2.8%	295	4	1.4%	315	0	0.0%	715	7	1.0%
New York Times	498	20	3.9%	492	—	—	366	42	11.4%	1,357	61	4.5%
Newell Rubbermaid	250	2	0.6%	499	7	1.5%	391	12	2.9%	1,140	20	1.8%
Nike	608	35	5.8%	445	31	7.1%	511	30	5.8%	1,564	96	6.1%
NiSource	660	24	3.6%	617	-3	-0.5%	451	29	6.4%	1,728	50	2.9%
Nordstrom	398	16	3.9%	196	10	5.1%	204	6	3.0%	798	32	4.0%
Norfolk Southern	586	11	1.8%	706	6	0.8%	553	22	3.9%	1,845	38	2.1%
Nucor	67	-12	-17.5%	230	-17	-7.5%	179	3	1.9%	476	-25	-5.4%
NVR	696	30	4.3%	536	21	4.0%	402	22	5.4%	1,634	73	4.5%
OGE Energy	209	-6	-2.9%	126	-1	-0.5%	147	3	2.3%	482	-3	-0.7%
Omnicare	302	3	0.9%	205	5	2.5%	134	1	0.6%	642	9	1.3%
Omnicom	702	12	1.7%	700	33	4.7%	663	29	4.4%	2,065	74	3.6%
Oracle	2,114	58	2.7%	1,925	81	4.2%	2,131	89	4.2%	6,170	228	3.7%
Oxford Health Plans	583	22	3.7%	377	34	9.0%	512	13	2.5%	1,472	68	4.6%
Pacificare Health Systems	489	25	5.1%	222	4	1.8%	109	8	7.4%	820	37	4.5%
Parker Hannifin	161	1	0.9%	200	0	0.0%	469	9	1.9%	830	10	1.2%
Pepco Holdings	174	36	20.7%	335	-17	-5.1%	247	11	4.5%	755	30	3.9%
Pepsi Bottling	569	7	1.2%	592	10	1.6%	424	14	3.2%	1,585	30	1.9%
PepsiAmericas	243	9	3.7%	232	5	2.3%	255	5	2.1%	730	20	2.7%
PepsiCo	3,245	21	0.7%	3,220	31	1.0%	2,697	17	0.6%	9,162	70	0.8%
Performance Food Group	114	-1	-0.4%	104	2	2.0%	76	—	—	294	2	0.5%
Peter Kiewit Sons'	252	14	5.6%	303	15	5.0%	278	9	3.2%	833	38	4.6%
Pfizer	6,162	74	1.2%	4,509	167	3.7%	4,088	—	—	14,759	241	1.6%
Pitney Bowes	620	-2	-0.3%	461	-24	-5.2%	734	19	2.6%	1,815	-7	-0.4%
PNC	1,559	38	2.4%	1,969	46	2.4%	602	33	5.5%	4,130	117	2.8%
PPG Industries	498	28	5.6%	545	19	3.5%	554	10	1.7%	1,596	56	3.5%
PPL	825	12	1.5%	416	-9	-2.2%	607	35	5.8%	1,849	39	2.1%
Praxair	210	—	—	223	1	0.3%	208	—	—	641	1	0.1%
Principal Group	939	15	1.6%	646	22	3.4%	472	-5	-1.2%	2,056	31	1.5%
Procter & Gamble	4,979	73	1.5%	4,271	93	2.2%	3,583	75	2.1%	12,832	242	1.9%
Prudential Financial	1,849	23	1.2%	103	2	1.9%	396	60	15.1%	2,348	85	3.6%
Public Service Enterprise Group	1,341	-28	-2.1%	661	50	7.6%	1,141	64	5.6%	3,143	86	2.7%
Publix	1,063	46	4.4%	1,003	42	4.1%	827	37	4.5%	2,892	125	4.3%
Pulte Homes	992	19	1.9%	718	20	2.8%	490	17	3.5%	2,200	56	2.6%
Quest Diagnostics	738	46	6.3%	542	16	2.9%	334	13	4.0%	1,614	75	4.7%
Radio Shack	457	19	4.1%	386	13	3.4%	342	18	5.2%	1,185	50	4.2%
Reebok	32	—	—	24	—	—	2	—	—	58	—	—
Regions	928	14	1.5%	887	9	1.0%	811	4	0.5%	2,627	27	1.0%
Reliant Resources	173	34	19.9%	234	32	13.5%	804	4	0.5%	1,210	70	5.8%
Rockwell Automation	209	—	—	120	7	5.8%	116	4	3.1%	446	11	2.4%
Ross Stores	375	15	4.1%	330	13	4.0%	255	10	3.9%	959	38	4.0%
Ryder	152	3	1.9%	120	—	—	49	0	0.0%	321	3	0.9%
Ryland Group	396	15	3.8%	309	15	4.8%	218	11	5.3%	924	41	4.5%
Saks	110	2	1.9%	156	0	0.1%	10	2	18.2%	275	4	1.5%
Sara Lee	1,054	-12	-1.1%	754	20	2.6%	1,257	1	0.1%	3,065	9	0.3%
SBC Communications	8,901	-38	-0.4%	10,460	109	1.0%	11,218	189	1.7%	30,579	260	0.9%

### State Income Taxes for 252 Major Corporations, 2001–2003, Alphabetical (\$-millions)

Company	2003			2002			2001			All 3 Years		
	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate
Sears	5,279	83	1.6%	2,319	—	—	1,291	-4	-0.3%	8,889	79	0.9%
Sempra Energy	551	16	2.8%	584	30	5.1%	651	60	9.2%	1,786	105	5.9%
Shaw Group	16	2	9.8%	144	6	4.3%	124	0	0.3%	284	8	2.8%
Sherwin-Williams	523	15	2.8%	497	16	3.2%	424	16	3.9%	1,445	47	3.3%
Smith International	63	—	—	40	2	3.8%	174	4	2.1%	277	5	1.9%
Sonic Automotive	134	2	1.8%	177	4	2.5%	137	4	2.7%	448	11	2.4%
Southern	2,086	37	1.8%	1,846	60	3.3%	1,677	102	6.1%	5,609	199	3.6%
Southwest Airlines	708	—	—	393	—	—	828	1	0.1%	1,928	1	0.0%
SPX	395	5	1.4%	488	10	2.0%	408	5	1.2%	1,291	20	1.5%
Starbucks	431	19	4.4%	335	9	2.7%	267	12	4.6%	1,033	41	3.9%
State Street	936	51	5.4%	1,409	36	2.6%	931	26	2.7%	3,276	112	3.4%
Stryker	244	14	5.9%	262	3	1.1%	241	12	5.1%	747	30	4.0%
Suntrust	1,921	14	0.7%	1,886	-16	-0.8%	2,022	27	1.4%	5,829	26	0.4%
Supervalu	463	14	3.1%	368	10	2.7%	357	8	2.2%	1,187	32	2.7%
Target	2,960	116	3.9%	2,676	107	4.0%	2,207	96	4.4%	7,843	319	4.1%
Tech Data	101	0	0.3%	137	1	0.5%	107	2	2.3%	345	3	1.0%
Textron	246	15	6.1%	465	15	3.2%	891	24	2.7%	1,603	53	3.3%
3M	1,824	63	3.5%	1,654	—	—	1,456	37	2.6%	4,935	100	2.0%
Time Warner	4,317	93	2.2%	1,469	78	5.3%	614	—	—	6,400	171	2.7%
Timken	52	1	1.6%	179	4	2.2%	41	2	5.7%	273	7	2.6%
TJX	947	53	5.6%	848	46	5.4%	830	39	4.7%	2,624	138	5.3%
Toys "R" Us	119	-28	-23.6%	225	-2	-0.9%	205	8	3.9%	549	-22	-4.0%
Triad Hospitals	173	4	2.4%	242	6	2.5%	97	1	0.7%	513	11	2.1%
Tribune Company	1,408	—	—	930	9	0.9%	419	28	6.7%	2,757	37	1.3%
TXU	917	11	1.2%	335	7	1.9%	828	40	4.9%	2,081	58	2.8%
Tyson Foods	466	10	2.1%	536	17	3.2%	187	5	2.7%	1,189	32	2.7%
U.S. Bancorp	5,570	133	2.4%	4,795	141	2.9%	3,508	125	3.6%	13,873	399	2.9%
Union Pacific	1,637	31	1.9%	1,945	4	0.2%	1,479	4	0.3%	5,061	39	0.8%
Unisys	167	16	9.8%	110	7	6.5%	83	3	3.3%	360	26	7.3%
United Auto Group	117	5	4.7%	88	6	6.3%	83	5	6.2%	287	16	5.6%
United Stationers	122	4	3.4%	87	3	3.4%	121	6	5.1%	330	13	4.0%
United Technologies	1,530	28	1.8%	1,900	7	0.4%	1,773	13	0.7%	5,204	48	0.9%
UnitedHealth	2,840	8	0.3%	2,096	34	1.6%	1,555	22	1.4%	6,491	64	1.0%
UPS (United Parcel Service)	4,089	90	2.2%	5,037	129	2.6%	3,929	133	3.4%	13,055	352	2.7%
Valero Energy	639	4	0.7%	44	—	—	895	4	0.4%	1,578	8	0.5%
Verizon	4,555	265	5.8%	6,129	487	7.9%	2,571	240	9.3%	13,256	991	7.5%
VF Corporation	436	7	1.7%	402	1	0.2%	359	9	2.6%	1,196	17	1.4%
Viacom	4,219	211	5.0%	3,274	245	7.5%	2,663	176	6.6%	10,156	633	6.2%
Wachovia	5,403	60	1.1%	4,255	201	4.7%	3,529	81	2.3%	13,188	342	2.6%
Walgreen	1,889	76	4.0%	1,637	75	4.6%	1,423	61	4.3%	4,949	213	4.3%
Wal-Mart	12,075	319	2.6%	10,490	214	2.0%	9,168	285	3.1%	31,733	818	2.6%
Waste Management	1,124	17	1.6%	1,266	25	2.0%	801	37	4.7%	3,191	80	2.5%
Wellpoint Health	1,559	97	6.2%	1,157	60	5.2%	699	40	5.8%	3,414	197	5.8%
Wells Fargo	9,545	139	1.5%	8,952	260	2.9%	6,055	267	4.4%	24,552	667	2.7%
Wesco International	30	-1	-2.9%	20	1	2.9%	30	-2	-5.0%	79	-2	-2.3%
Weyerhaeuser	514	29	5.6%	379	25	6.7%	685	16	2.3%	1,578	70	4.4%
Whirlpool	454	5	1.2%	353	-6	-1.7%	381	14	3.6%	1,189	13	1.1%
Yum Brands	665	-4	-0.6%	666	16	2.3%	598	36	6.0%	1,929	47	2.5%
<b>All 252 Companies</b>	<b>367,131</b>	<b>8,574</b>	<b>2.3%</b>	<b>314,589</b>	<b>8,217</b>	<b>2.6%</b>	<b>298,831</b>	<b>8,615</b>	<b>2.9%</b>	<b>980,551</b>	<b>25,406</b>	<b>2.6%</b>

## State Income Taxes for 252 Major Corporations, 2001-2003, by Location of Headquarters (\$-millions)

Companies by headquarters	03Profit	03Tax	03Rate	02Profit	02Tax	02Rate	01Profit	01Tax	01Rate	3yr Profit	3yr Tax	3yr Rate
<b>Alabama</b>												
Regions	928	14	1.5%	887	9	1.0%	811	4	0.5%	2,627	27	1.0%
Saks	110	2	1.9%	156	0	0.1%	10	2	18.2%	275	4	1.5%
<b>Arkansas</b>												
Dillard's	18	-2	-9.1%	204	2	0.7%	137	2	1.4%	359	2	0.5%
Alltel	1,524	35	2.3%	1,359	-2	-0.2%	1,709	58	3.4%	4,592	91	2.0%
Wal-Mart	12,075	319	2.6%	10,490	214	2.0%	9,168	285	3.1%	31,733	818	2.6%
Tyson Foods	466	10	2.1%	536	17	3.2%	187	5	2.7%	1,189	32	2.7%
<b>California</b>												
Ingram Micro	9	—	—	36	1	2.8%	36	-7	-18.8%	81	-6	-7.2%
Computer Sciences	569	11	1.8%	409	1	0.3%	325	1	0.3%	1,303	13	1.0%
Amgen	2,217	25	1.1%	1,947	—	—	1,653	36	2.2%	5,818	61	1.0%
McKesson	702	22	3.2%	675	18	2.6%	480	—	—	1,857	40	2.2%
Disney, Walt	1,802	38	2.1%	1,791	54	3.0%	2,586	74	2.9%	6,179	165	2.7%
Clorox	719	12	1.7%	620	14	2.2%	427	21	5.0%	1,766	48	2.7%
Wells Fargo	9,545	139	1.5%	8,952	260	2.9%	6,055	267	4.4%	24,552	667	2.7%
Avery Dennison	152	8	5.1%	194	1	0.6%	183	6	3.2%	529	15	2.8%
Fluor	113	6	5.7%	116	1	1.0%	41	—	—	271	8	2.8%
Countrywide Financial	3,805	121	3.2%	1,334	35	2.6%	783	23	3.0%	5,922	179	3.0%
Charles Schwab	642	19	2.9%	347	-1	-0.3%	410	29	7.0%	1,399	46	3.3%
Intel	6,364	186	2.9%	2,321	96	4.1%	1,559	67	4.3%	10,244	349	3.4%
Oracle	2,114	58	2.7%	1,925	81	4.2%	2,131	89	4.2%	6,170	228	3.7%
Ross Stores	375	15	4.1%	330	13	4.0%	255	10	3.9%	959	38	4.0%
Ryland Group	396	15	3.8%	309	15	4.8%	218	11	5.3%	924	41	4.5%
Pacificare Health Systems	489	25	5.1%	222	4	1.8%	109	8	7.4%	820	37	4.5%
Golden West Financial	1,798	85	4.7%	1,575	68	4.3%	1,354	80	5.9%	4,727	233	4.9%
Jacobs Engineering Group	143	7	4.8%	131	7	5.2%	103	5	5.1%	377	19	5.0%
Health Net	518	31	6.0%	353	12	3.5%	152	16	10.3%	1,023	59	5.8%
Wellpoint Health	1,559	97	6.2%	1,157	60	5.2%	699	40	5.8%	3,414	197	5.8%
Sempra Energy	551	16	2.8%	584	30	5.1%	651	60	9.2%	1,786	105	5.9%
<b>Colorado</b>												
Ball	188	7	3.5%	224	4	1.8%	113	-8	-6.8%	525	3	0.5%
Adolph Coors	134	0	0.2%	134	9	6.9%	197	13	6.7%	465	23	4.8%
<b>Connecticut</b>												
Pitney Bowes	620	-2	-0.3%	461	-24	-5.2%	734	19	2.6%	1,815	-7	-0.4%
Praxair	210	—	—	223	1	0.3%	208	—	—	641	1	0.1%
United Technologies	1,530	28	1.8%	1,900	7	0.4%	1,773	13	0.7%	5,204	48	0.9%
General Electric	11,090	264	2.4%	12,110	111	0.9%	14,297	313	2.2%	37,497	688	1.8%
Oxford Health Plans	583	22	3.7%	377	34	9.0%	512	13	2.5%	1,472	68	4.6%
Emcor	55	5	8.8%	109	8	7.0%	84	7	8.4%	248	19	7.9%
<b>Delaware</b>												
MBNA	3,393	35	1.0%	2,741	11	0.4%	2,759	35	1.3%	8,892	80	0.9%
<b>District of Columbia</b>												
Danaher	566	13	2.3%	494	10	2.1%	476	10	2.2%	1,536	34	2.2%
Pepco Holdings	174	36	20.7%	335	-17	-5.1%	247	11	4.5%	755	30	3.9%
<b>Florida</b>												
FPL Group	1,261	-21	-1.7%	939	-22	-2.3%	1,160	55	4.7%	3,360	12	0.4%
Ryder	152	3	1.9%	120	—	—	49	0	0.0%	321	3	0.9%
Tech Data	101	0	0.3%	137	1	0.5%	107	2	2.3%	345	3	1.0%
CSX	186	7	3.6%	648	17	2.6%	379	2	0.6%	1,213	25	2.1%
Hughes Supply	97	2	2.6%	102	2	1.9%	81	2	2.8%	280	7	2.4%
AutoNation	596	14	2.3%	622	17	2.8%	436	15	3.5%	1,653	46	2.8%
Darden Restaurants	345	9	2.5%	360	10	2.9%	296	10	3.5%	1,002	29	2.9%
Publix	1,063	46	4.4%	1,003	42	4.1%	827	37	4.5%	2,892	125	4.3%

## State Income Taxes for 252 Major Corporations, 2001–2003, by Location of Headquarters (\$-millions)

Companies by headquarters	03Profit	03Tax	03Rate	02Profit	02Tax	02Rate	01Profit	01Tax	01Rate	3yr Profit	3yr Tax	3yr Rate
<b>Georgia</b>												
Suntrust	1,921	14	0.7%	1,886	-16	-0.8%	2,022	27	1.4%	5,829	26	0.4%
BellSouth	5,214	125	2.4%	4,018	29	0.7%	3,652	66	1.8%	12,884	220	1.7%
Newell Rubbermaid	250	2	0.6%	499	7	1.5%	391	12	2.9%	1,140	20	1.8%
Mohawk Industries	488	9	1.9%	444	2	0.5%	293	14	4.8%	1,226	25	2.1%
UPS (United Parcel Service)	4,089	90	2.2%	5,037	129	2.6%	3,929	133	3.4%	13,055	352	2.7%
Southern	2,086	37	1.8%	1,846	60	3.3%	1,677	102	6.1%	5,609	199	3.6%
Coca-Cola Company	2,029	82	4.0%	2,001	53	2.7%	2,364	92	3.9%	6,394	227	3.6%
Home Depot	6,440	303	4.7%	5,571	227	4.1%	4,783	241	5.0%	16,794	771	4.6%
Genuine Parts	607	27	4.4%	509	28	5.5%	619	32	5.2%	1,735	87	5.0%
<b>Illinois</b>												
Boeing	1,037	-32	-3.1%	2,125	-78	-3.7%	2,479	69	2.8%	5,641	-41	-0.7%
Sara Lee	1,054	-12	-1.1%	754	20	2.6%	1,257	1	0.1%	3,065	9	0.3%
Caterpillar	489	2	0.4%	343	—	—	741	8	1.1%	1,573	10	0.7%
Sears	5,279	83	1.6%	2,319	—	—	1,291	-4	-0.3%	8,889	79	0.9%
Tribune Company	1,408	—	—	930	9	0.9%	419	28	6.7%	2,757	37	1.3%
Abbott Laboratories	2,321	24	1.1%	2,672	11	0.4%	1,718	62	3.6%	6,711	98	1.5%
Archer Daniels Midland	357	1	0.3%	441	12	2.7%	243	8	3.2%	1,040	21	2.0%
Illinois Tool Works	1,067	23	2.2%	1,190	27	2.2%	975	17	1.7%	3,232	67	2.1%
Brunswick	160	6	4.0%	149	-5	-3.4%	116	10	8.6%	425	11	2.7%
Baxter	826	2	0.3%	602	—	—	527	67	12.7%	1,955	69	3.6%
CDW	290	15	5.2%	306	9	2.9%	280	9	3.3%	876	33	3.8%
Exelon	2,349	88	3.8%	2,668	94	3.5%	2,474	115	4.7%	7,491	298	4.0%
United Stationers	122	4	3.4%	87	3	3.4%	121	6	5.1%	330	13	4.0%
Walgreen	1,889	76	4.0%	1,637	75	4.6%	1,423	61	4.3%	4,949	213	4.3%
McDonald's	1,112	55	5.0%	968	44	4.5%	1,009	48	4.7%	3,090	147	4.8%
<b>Indiana</b>												
Eli Lilly	1,603	-6	-0.4%	1,759	-13	-0.8%	1,929	2	0.1%	5,291	-17	-0.3%
Anthem	1,219	11	0.9%	808	11	1.3%	541	8	1.4%	2,568	29	1.1%
NiSource	660	24	3.6%	617	-3	-0.5%	451	29	6.4%	1,728	50	2.9%
<b>Iowa</b>												
Maytag	184	-2	-0.9%	293	1	0.4%	197	6	3.1%	674	6	0.9%
Principal Group	939	15	1.6%	646	22	3.4%	472	-5	-1.2%	2,056	31	1.5%
<b>Kentucky</b>												
Lexmark	306	—	—	259	—	—	175	—	—	740	—	—
Omnicare	302	3	0.9%	205	5	2.5%	134	1	0.6%	642	9	1.3%
Yum Brands	665	-4	-0.6%	666	16	2.3%	598	36	6.0%	1,929	47	2.5%
Humana	345	11	3.2%	210	22	10.7%	183	9	5.0%	738	43	5.8%
<b>Louisiana</b>												
Shaw Group	16	2	9.8%	144	6	4.3%	124	0	0.3%	284	8	2.8%
Entergy	579	18	3.1%	1,627	39	2.4%	1,173	52	4.4%	3,379	109	3.2%
<b>Maryland</b>												
Coventry Health Care	393	6	1.5%	226	4	2.0%	143	8	5.3%	762	18	2.4%
Marriott International	405	21	5.2%	364	16	4.3%	410	—	—	1,178	37	3.1%
Constellation Energy	745	34	4.5%	835	24	2.9%	120	27	22.4%	1,701	85	5.0%
<b>Massachusetts</b>												
Reebok	32	—	—	24	—	—	2	—	—	58	—	—
John Hancock	1,162	4	0.3%	522	4	0.7%	760	5	0.6%	2,443	12	0.5%
Boston Scientific	266	—	—	373	—	—	44	4	8.3%	683	4	0.5%
Gillette	814	16	1.9%	928	10	1.1%	424	13	3.0%	2,166	39	1.8%
State Street	936	51	5.4%	1,409	36	2.6%	931	26	2.7%	3,276	112	3.4%
BJ's Wholesale Club	168	6	3.8%	236	7	2.8%	133	8	6.1%	537	21	4.0%
TJX	947	53	5.6%	848	46	5.4%	830	39	4.7%	2,624	138	5.3%

## State Income Taxes for 252 Major Corporations, 2001–2003, by Location of Headquarters (\$-millions)

Companies by headquarters	03Profit	03Tax	03Rate	02Profit	02Tax	02Rate	01Profit	01Tax	01Rate	3yr Profit	3yr Tax	3yr Rate
<b>Michigan</b>												
American Axle & Manufacturing	285	2	0.8%	263	1	0.5%	162	1	0.4%	710	4	0.6%
Whirlpool	454	5	1.2%	353	-6	-1.7%	381	14	3.6%	1,189	13	1.1%
Comerica	912	22	2.5%	974	13	1.4%	1,150	31	2.7%	3,036	67	2.2%
Pulte Homes	992	19	1.9%	718	20	2.8%	490	17	3.5%	2,200	56	2.6%
Borders	195	8	4.1%	195	7	3.7%	149	5	3.1%	539	20	3.7%
Masco	1,172	42	3.6%	562	29	5.1%	474	15	3.1%	2,208	85	3.9%
Stryker	244	14	5.9%	262	3	1.1%	241	12	5.1%	747	30	4.0%
Kellogg's	799	39	4.9%	788	44	5.6%	506	30	5.9%	2,093	113	5.4%
United Auto Group	117	5	4.7%	88	6	6.3%	83	5	6.2%	287	16	5.6%
Kelly Services	21	3	13.0%	43	2	5.4%	39	2	5.2%	102	7	6.9%
<b>Minnesota</b>												
UnitedHealth	2,840	8	0.3%	2,096	34	1.6%	1,555	22	1.4%	6,491	64	1.0%
General Mills	1,398	30	2.2%	1,202	19	1.6%	751	—	—	3,351	49	1.5%
3M	1,824	63	3.5%	1,654	—	—	1,456	37	2.6%	4,935	100	2.0%
Nash Finch	52	0	0.5%	50	1	2.3%	39	2	5.2%	141	3	2.5%
PepsiAmericas	243	9	3.7%	232	5	2.3%	255	5	2.1%	730	20	2.7%
Supervalu	463	14	3.1%	368	10	2.7%	357	8	2.2%	1,187	32	2.7%
U.S. Bancorp	5,570	133	2.4%	4,795	141	2.9%	3,508	125	3.6%	13,873	399	2.9%
Hormel	285	8	2.9%	293	9	3.2%	284	9	3.2%	863	27	3.1%
Best Buy	1,259	42	3.3%	1,006	45	4.5%	904	24	2.7%	3,169	111	3.5%
Target	2,960	116	3.9%	2,676	107	4.0%	2,207	96	4.4%	7,843	319	4.1%
C.H. Robinson	180	9	5.0%	148	7	4.9%	134	6	4.7%	462	23	4.9%
<b>Missouri</b>												
Emerson	843	7	0.8%	1,124	11	0.9%	1,288	32	2.5%	3,254	49	1.5%
Leggett & Platt	313	4	1.3%	362	7	1.8%	312	8	2.5%	986	18	1.9%
Graybar Electric	15	1	3.4%	19	1	2.7%	51	1	2.2%	85	2	2.5%
Anheuser-Busch	2,734	132	4.8%	2,548	111	4.3%	2,323	117	5.1%	7,604	360	4.7%
May Department Stores	617	38	6.2%	844	32	3.8%	1,139	57	5.0%	2,600	127	4.9%
<b>Nebraska</b>												
Union Pacific	1,637	31	1.9%	1,945	4	0.2%	1,479	4	0.3%	5,061	39	0.8%
ConAgra	1,151	29	2.5%	1,154	28	2.5%	1,053	29	2.7%	3,358	86	2.6%
Peter Kiewit Sons'	252	14	5.6%	303	15	5.0%	278	9	3.2%	833	38	4.6%
<b>Nevada</b>												
MGM Mirage	347	4	1.0%	434	3	0.7%	272	6	2.1%	1,053	12	1.2%
Harrah's Entertainment	483	13	2.6%	534	19	3.6%	363	5	1.3%	1,380	37	2.6%
<b>New Hampshire</b>												
Fisher Scientific International	36	1	3.7%	85	0	0.3%	6	—	—	128	2	1.2%
<b>New Jersey</b>												
Toys "R" Us	119	-28	-23.6%	225	-2	-0.9%	205	8	3.9%	549	-22	-4.0%
AT&T	2,473	-250	-10.1%	2,885	-19	-0.7%	8,014	188	2.3%	13,371	-81	-0.6%
Becton Dickinson	327	—	—	335	5	1.4%	351	2	0.5%	1,013	6	0.6%
American Standard Companies	549	4	0.8%	556	5	0.9%	512	3	0.6%	1,617	12	0.7%
Bed Bath & Beyond	650	12	1.8%	491	13	2.6%	357	6	1.8%	1,498	31	2.1%
Campbell Soup	752	13	1.7%	685	19	2.7%	835	26	3.2%	2,272	58	2.5%
Engelhard	179	4	2.2%	226	12	5.3%	192	0	0.2%	597	16	2.7%
Public Service Enterprise Group	1,341	-28	-2.1%	661	50	7.6%	1,141	64	5.6%	3,143	86	2.7%
Automatic Data Processing	1,475	59	4.0%	1,619	55	3.4%	1,375	32	2.4%	4,469	146	3.3%
Prudential Financial	1,849	23	1.2%	103	2	1.9%	396	60	15.1%	2,348	85	3.6%
Quest Diagnostics	738	46	6.3%	542	16	2.9%	334	13	4.0%	1,614	75	4.7%
Merck	4,111	226	5.5%	4,536	282	6.2%	4,875	263	5.4%	13,522	771	5.7%



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Companies by headquarters	03Profit	03Tax	03Rate	02Profit	02Tax	02Rate	01Profit	01Tax	01Rate	3yr Profit	3yr Tax	3yr Rate
<b>New York</b>												
Avon	302	—	—	271	-3	-1.2%	170	2	0.9%	743	-2	-0.2%
Merrill Lynch	3,529	—	—	2,018	—	—	3,220	—	—	8,767	—	—
ITT Industries	283	—	—	288	—	—	244	—	—	815	—	—
Metlife	1,808	22	1.2%	2,068	-17	-0.8%	2,922	-4	-0.1%	6,798	1	0.0%
PepsiCo	3,245	21	0.7%	3,220	31	1.0%	2,697	17	0.6%	9,162	70	0.8%
L-3 Communications	404	9	2.1%	295	—	—	205	—	—	905	9	1.0%
Cendant	1,810	16	0.9%	1,234	14	1.1%	612	11	1.8%	3,656	40	1.1%
Dover	238	3	1.2%	212	—	—	199	4	2.1%	650	7	1.1%
IBM	4,611	11	0.2%	3,838	147	3.8%	5,644	—	—	14,093	158	1.1%
Bank of New York	1,623	6	0.4%	1,417	12	0.8%	1,824	50	2.8%	4,864	69	1.4%
Pfizer	6,162	74	1.2%	4,509	167	3.7%	4,088	—	—	14,759	241	1.6%
Pepsi Bottling	569	7	1.2%	592	10	1.6%	424	14	3.2%	1,585	30	1.9%
Goldman Sachs	3,105	97	3.1%	1,850	14	0.8%	2,418	43	1.8%	7,373	154	2.1%
Consolidated Edison	860	7	0.9%	1,088	-6	-0.6%	1,169	65	5.5%	3,117	66	2.1%
Morgan Stanley	4,275	37	0.9%	3,252	77	2.4%	4,205	143	3.4%	11,732	258	2.2%
JPMorgan Chase	6,590	169	2.6%	2,594	80	3.1%	1,961	11	0.6%	11,145	260	2.3%
Time Warner	4,317	93	2.2%	1,469	78	5.3%	614	—	—	6,400	171	2.7%
Estee Lauder	189	4	2.0%	120	6	5.0%	288	6	2.2%	597	16	2.7%
Citigroup	18,648	444	2.4%	12,621	524	4.2%	12,932	265	2.1%	44,201	1,233	2.8%
Foot Locker	185	14	7.4%	157	4	2.7%	115	-5	-4.4%	457	13	2.8%
Energy East	366	12	3.3%	304	10	3.2%	419	15	3.6%	1,089	37	3.4%
Omnicom	702	12	1.7%	700	33	4.7%	663	29	4.4%	2,065	74	3.6%
Henry Schein	214	9	4.0%	186	8	4.2%	141	3	2.3%	541	20	3.6%
Altria (Philip Morris)	8,201	368	4.5%	12,179	422	3.5%	10,044	443	4.4%	30,424	1,232	4.0%
Liz Claiborne	343	14	4.0%	305	15	4.8%	255	10	3.9%	903	38	4.3%
New York Times	498	20	3.9%	492	—	—	366	42	11.4%	1,357	61	4.5%
Lehman Brothers	1,884	59	3.1%	993	148	14.9%	1,804	53	2.9%	4,681	260	5.6%
Viacom	4,219	211	5.0%	3,274	245	7.5%	2,663	176	6.6%	10,156	633	6.2%
Bear Stearns	1,705	120	7.0%	1,297	64	4.9%	912	83	9.1%	3,914	267	6.8%
McGraw Hill	1,036	115	11.1%	810	33	4.0%	673	35	5.2%	2,520	184	7.3%
Verizon	4,555	265	5.8%	6,129	487	7.9%	2,571	240	9.3%	13,256	991	7.5%
<b>North Carolina</b>												
Nucor	67	-12	-17.5%	230	-17	-7.5%	179	3	1.9%	476	-25	-5.4%
BB&T	1,408	-13	-0.9%	1,759	11	0.6%	1,483	8	0.6%	4,651	7	0.1%
Goodrich	91	—	—	257	4	1.5%	254	2	0.7%	601	6	0.9%
VF Corporation	436	7	1.7%	402	1	0.2%	359	9	2.6%	1,196	17	1.4%
SPX	395	5	1.4%	488	10	2.0%	408	5	1.2%	1,291	20	1.5%
Sonic Automotive	134	2	1.8%	177	4	2.5%	137	4	2.7%	448	11	2.4%
Bank of America	15,633	335	2.1%	13,252	408	3.1%	10,636	204	1.9%	39,521	947	2.4%
Family Dollar Stores	390	12	3.0%	342	8	2.2%	298	6	2.0%	1,030	25	2.5%
Wachovia	5,403	60	1.1%	4,255	201	4.7%	3,529	81	2.3%	13,188	342	2.6%
Lowe's	2,998	119	4.0%	2,339	77	3.3%	1,603	61	3.8%	6,940	257	3.7%

**State Income Taxes for 252 Major Corporations, 2001–2003, by Location of Headquarters (\$-millions)**

Companies by headquarters	03Profit	03Tax	03Rate	02Profit	02Tax	02Rate	01Profit	01Tax	01Rate	3yr Profit	3yr Tax	3yr Rate
<b>Ohio</b>												
American Financial Group	295	1	0.2%	180	0	0.1%	99	1	1.2%	574	2	0.4%
Cardinal Health	1,761	18	1.0%	1,493	10	0.7%	1,149	—	—	4,403	28	0.6%
NCR	106	3	2.8%	295	4	1.4%	315	0	0.0%	715	7	1.0%
Fifth Third	2,630	36	1.4%	2,434	19	0.8%	1,703	27	1.6%	6,767	82	1.2%
Eaton	325	15	4.5%	292	2	0.6%	323	-5	-1.6%	939	11	1.2%
Parker Hannifin	161	1	0.9%	200	0	0.0%	469	9	1.9%	830	10	1.2%
Cinergy	581	23	4.0%	560	-4	-0.7%	717	9	1.3%	1,859	28	1.5%
Procter & Gamble	4,979	73	1.5%	4,271	93	2.2%	3,583	75	2.1%	12,832	242	1.9%
KeyCorp	1,165	26	2.2%	1,056	30	2.8%	1,095	17	1.6%	3,316	73	2.2%
Timken	52	1	1.6%	179	4	2.2%	41	2	5.7%	273	7	2.6%
Sherwin-Williams	523	15	2.8%	497	16	3.2%	424	16	3.9%	1,445	47	3.3%
Kroger	1,195	35	3.0%	1,886	70	3.7%	1,804	57	3.2%	4,886	163	3.3%
American Electric Power	935	19	2.0%	800	32	4.0%	1,543	61	3.9%	3,277	112	3.4%
Limited Brands	1,132	63	5.6%	781	47	6.0%	823	40	4.8%	2,736	150	5.5%
Federated Department Stores	1,081	48	4.4%	1,042	85	8.2%	778	57	7.4%	2,901	191	6.6%
<b>Oklahoma</b>												
OGE Energy	209	-6	-2.9%	126	-1	-0.5%	147	3	2.3%	482	-3	-0.7%
Devon Energy	1,606	1	0.0%	354	10	2.8%	492	4	0.8%	2,452	15	0.6%
<b>Oregon</b>												
Nike	608	35	5.8%	445	31	7.1%	511	30	5.8%	1,564	96	6.1%
<b>Pennsylvania</b>												
Wesco International	30	-1	-2.9%	20	1	2.9%	30	-2	-5.0%	79	-2	-2.3%
Ikon Office Solutions	147	1	0.4%	197	-0	-0.2%	153	2	1.6%	497	3	0.5%
PPL	825	12	1.5%	416	-9	-2.2%	607	35	5.8%	1,849	39	2.1%
Aramark	374	7	1.8%	362	6	1.7%	238	10	4.0%	974	22	2.3%
Mellon Financial	709	10	1.5%	1,430	29	2.0%	694	34	4.9%	2,834	73	2.6%
Jones Apparel	520	14	2.8%	519	17	3.3%	415	8	2.0%	1,454	40	2.7%
PNC	1,559	38	2.4%	1,969	46	2.4%	602	33	5.5%	4,130	117	2.8%
Hershey	708	20	2.8%	590	7	1.2%	355	20	5.7%	1,653	48	2.9%
AmerisourceBergen	722	17	2.3%	574	23	4.0%	208	4	1.7%	1,504	44	2.9%
PPG Industries	498	28	5.6%	545	19	3.5%	554	10	1.7%	1,596	56	3.5%
Unisys	167	16	9.8%	110	7	6.5%	83	3	3.3%	360	26	7.3%
<b>Rhode Island</b>												
Textron	246	15	6.1%	465	15	3.2%	891	24	2.7%	1,603	53	3.3%
CVS	1,352	77	5.7%	1,103	56	5.1%	954	52	5.4%	3,409	185	5.4%
<b>Tennessee</b>												
Dollar General	480	11	2.4%	415	11	2.6%	328	8	2.3%	1,222	30	2.4%
Autozone	827	24	2.8%	670	17	2.5%	326	12	3.6%	1,824	52	2.8%
FedEx	1,227	23	1.9%	1,043	34	3.3%	824	42	5.1%	3,094	99	3.2%
Caremark RX	485	10	2.1%	334	14	4.2%	206	11	5.5%	1,025	36	3.5%
HCA	2,168	72	3.3%	1,472	78	5.3%	1,545	39	2.5%	5,184	188	3.6%

## State Income Taxes for 252 Major Corporations, 2001-2003, by Location of Headquarters (\$-millions)

Companies by headquarters	03Profit	03Tax	03Rate	02Profit	02Tax	02Rate	01Profit	01Tax	01Rate	3yr Profit	3yr Tax	3yr Rate
<b>Texas</b>												
Southwest Airlines	708	—	—	393	—	—	828	1	0.1%	1,928	1	0.0%
Apache	918	—	—	287	0	0.1%	605	5	0.7%	1,811	5	0.3%
Burlington Northern Santa Fe	1,231	5	0.4%	1,216	2	0.2%	1,173	8	0.7%	3,620	15	0.4%
CenterPoint Energy	665	5	0.8%	567	6	1.1%	802	-2	-0.2%	2,035	9	0.5%
Valero Energy	639	4	0.7%	44	—	—	895	4	0.4%	1,578	8	0.5%
Anadarko Petroleum	1,359	4	0.3%	706	8	1.1%	130	4	3.1%	2,195	15	0.7%
SBC Communications	8,901	-38	-0.4%	10,460	109	1.0%	11,218	189	1.7%	30,579	260	0.9%
Affiliated Computer Services	481	6	1.2%	353	5	1.5%	216	3	1.2%	1,050	13	1.3%
Dean Foods	556	10	1.8%	417	5	1.3%	225	4	2.0%	1,199	20	1.7%
Smith International	63	—	—	40	2	3.8%	174	4	2.1%	277	5	1.9%
Burlington Resources	983	8	0.8%	548	11	2.0%	470	18	3.8%	2,001	37	1.9%
Kimberly-Clark	1,652	41	2.5%	1,758	18	1.0%	1,742	49	2.8%	5,152	108	2.1%
Triad Hospitals	173	4	2.4%	242	6	2.5%	97	1	0.7%	513	11	2.1%
Brinker International	251	6	2.3%	229	4	1.6%	220	7	3.1%	700	16	2.3%
Waste Management	1,124	17	1.6%	1,266	25	2.0%	801	37	4.7%	3,191	80	2.5%
TXU	917	11	1.2%	335	7	1.9%	828	40	4.9%	2,081	58	2.8%
ExxonMobil	9,422	316	3.4%	4,316	94	2.2%	8,265	205	2.5%	22,003	616	2.8%
ConocoPhillips	4,093	132	3.2%	909	54	5.9%	3,178	89	2.8%	8,181	275	3.4%
Radio Shack	457	19	4.1%	386	13	3.4%	342	18	5.2%	1,185	50	4.2%
Kinder Morgan	626	23	3.6%	443	17	3.9%	385	25	6.4%	1,454	65	4.4%
Marathon Oil	1,143	56	4.9%	504	21	4.2%	1,975	85	4.3%	3,622	162	4.5%
Reliant Resources	173	34	19.9%	234	32	13.5%	804	4	0.5%	1,210	70	5.8%
<b>Utah</b>												
Autoliv	55	7	12.5%	72	7	9.5%	59	0	0.3%	186	14	7.5%
<b>Virginia</b>												
Advance Auto Parts	198	—	—	91	—	—	31	0	0.7%	321	0	0.1%
General Dynamics	1,159	—	—	1,379	—	—	1,272	12	1.0%	3,810	12	0.3%
Performance Food Group	114	-1	-0.4%	104	2	2.0%	76	—	—	294	2	0.5%
Dominion Resources	1,534	20	1.3%	2,008	9	0.5%	1,026	60	5.8%	4,568	89	1.9%
Norfolk Southern	586	11	1.8%	706	6	0.8%	553	22	3.9%	1,845	38	2.1%
Gannett	1,744	63	3.6%	1,721	42	2.4%	1,420	31	2.2%	4,885	136	2.8%
CarMax	189	8	4.2%	163	5	3.3%	146	5	3.5%	499	19	3.7%
NVR	696	30	4.3%	536	21	4.0%	402	22	5.4%	1,634	73	4.5%
<b>Washington</b>												
Starbucks	431	19	4.4%	335	9	2.7%	267	12	4.6%	1,033	41	3.9%
Nordstrom	398	16	3.9%	196	10	5.1%	204	6	3.0%	798	32	4.0%
Weyerhaeuser	514	29	5.6%	379	25	6.7%	685	16	2.3%	1,578	70	4.4%
Costco	929	57	6.1%	931	44	4.7%	825	50	6.0%	2,685	150	5.6%
<b>Wisconsin</b>												
Manpower	52	—	—	25	-0	-1.2%	34	-0	-0.9%	111	-1	-0.5%
Rockwell Automation	209	—	—	120	7	5.8%	116	4	3.1%	446	11	2.4%
Harley-Davidson	1,166	31	2.7%	886	18	2.0%	675	17	2.5%	2,727	66	2.4%
Kohl's	950	22	2.3%	1,034	30	2.9%	804	19	2.4%	2,789	71	2.5%
Johnson Controls	979	29	3.0%	862	27	3.1%	660	22	3.3%	2,501	78	3.1%

## Methodology

This study represents an in-depth look at state (and local) corporate income taxes over the 2001-03 period. It is based on data collected for a September 2004 study of *federal* corporate tax payments published by Citizens for Tax Justice and the Institute on Taxation and Economic Policy, titled *Corporate Income Taxes in the Bush Years*. That report covered 275 large *Fortune 500* corporations. This new *state* corporate report includes the 252 companies of those 275 that fully disclosed their state corporate income tax payments. Over the three-year period, these 252 companies reported \$1 trillion in pretax U.S. profits, and, on average, paid state taxes on about a third of 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 state income taxes, or both.

### 2. Method of Calculation:

Conceptually, our method for computing effective state corporate tax rates was straightforward. First, a company's domestic pretax profit was determined. (We excluded foreign profits since state income taxes do not apply to them.) We then determined a company's current state 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 "tax incentives." 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 reported 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 subtraction<sup>12</sup>. We also did not allow deductions for booked "goodwill" write-offs beyond the already generous treatment allowed by the tax code,<sup>13</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 to *Corporate Income Taxes in the Bush Years* (CTJ & ITEP, 2004), which is available at [www.itepnet.org](http://www.itepnet.org).

**B. Issues in measuring state income taxes.** The primary source for current state income taxes was the companies' income tax notes to their financial statements. We also subtracted state 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 almost all cases, however, the tax savings from these deductions are 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 their federal and state tax benefits from stock options directly. We broke those down between federal and state based on the 35 percent federal statutory tax rate and the 6.8 percent average state rate (weighted by state GSP). 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 average state income tax rate. Note that in no case were our calculated state stock option benefits allowed to take a company's taxes below zero (or more below zero) in any year. Instead, excess stock option benefits were carried forward to subsequent years (and utilized there if possible).

### 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.

**4. Note:** Companies do not provide information on their state income taxes on a state-by-state basis. As a result, the figures in our report show only the companies' nationwide state income taxes. ●

<sup>12</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>13</sup>Accounting rules have changed recently to match our treatment, and companies are moving away from taking arbitrary goodwill write-offs for book purposes.