

# Why We Have a Corporate Minimum Tax

*“The committee believes the tax system is nearing a crisis point. . . . [C]ertain tax provisions allow many corporations to pay relatively little Federal income tax, without stimulating investment and production as intended. Many firms have made use of tax provisions to reduce their tax liability to zero, and, in some cases, corporations with substantial book income obtain tax refunds.”*

*House Ways and Means Committee Report  
On what became the Tax Reform Act of 1986 (Dec. 7, 1985)*

*“The committee finds it unjustifiable for some corporations to report large earnings and pay significant dividends to their shareholders, yet pay little or no taxes on that income to the government.”*

*Senate Finance Committee Report  
On its version of the same bill (May 29, 1986)*

In the first half of the 1980s, the Reagan administration instituted an array of new corporate loopholes, notably super-accelerated depreciation. The result was massive corporate tax avoidance. **Studies by Citizens for Tax Justice found that half of America’s largest and most profitable corporations were frequently able to avoid paying any income tax at all.**

The list of corporate tax freeloaders was a rogues’ gallery of famous names. General Electric, Texaco, Dow Chemical, Pepsico, Boeing, and ITT were among the long list of companies that paid nothing at all in taxes.

In response to public outrage, Congress and President Reagan enacted the Tax Reform Act of 1986. It closed many of the most egregious corporate loopholes and added an **“Alternative Minimum Tax”** to assure that large profitable corporations would be required to pay some reasonable amount in federal income tax.

## TEN CORPORATIONS WITH THE LARGEST TOTAL TAX REBATES FROM 1981 THROUGH 1984 (*\$-millions*)

<b>Company:</b>	<b>Pretax U.S.</b>		<b>Tax Rate</b>
	<b>Profit (\$-mill.)</b>	<b>Tax Rebate</b>	
Boeing Co.	\$ 2,099	\$ -285	-13.6%
Dow Chemical Co.	972	-180	-18.5%
ITT	815	-178	-21.8%
Tenneco	3,401	-166	-4.9%
Pepsico	1,799	-136	-7.6%
Santa Fe Southern Pacific Corp.	2,309	-133	-5.8%
General Dynamics	1,580	-104	-6.6%
General Electric	9,577	-98	-1.0%
Transamerica Corp.	749	-94	-12.5%
Texaco	1,819	-68	-3.7%
<b>TOTALS, 10 BIGGEST REBATES:</b>	<b>\$ 25,119</b>	<b>\$ -1,441</b>	<b>-5.7%</b>

Now, the corporate alternative minimum tax is under attack, from the same companies whose tax-avoiding ways in the eighties are the reason for its existence. In fact, these corporations want not only repeal of the alternative tax, but also a huge increase in depreciation write-offs. That’s the same witches’ brew that produced the corporate tax avoidance scandals of the eighties.

To read CTJ’s full 1985 report on *Corporate Taxpayers and Corporate Freeloaders*, go to [www.ctj.org/pdf/corp0885.pdf](http://www.ctj.org/pdf/corp0885.pdf).