

Appendix A: Media and Policy Think Tank Quotes on Rate Change Proposals

Source, Date	Quote	Weblink
<p>Huffington Post, January 2012</p>	<p>The RATE Coalition has two chairs, one from each party, each with strong Washington ties. Its spokeswoman offered Democrat Elaine Kamarck, a public policy lecturer at Harvard’s John F. Kennedy School of Government, to answer questions. Kamarck said that the enduring economic doldrums and election year politics this year “almost inevitably lead to a big tax reform debate in 2013.” “We see an interesting political consensus,” she said. Corporations want lower rates, the government needs more revenue and since the 1986 Tax Reform Act the corporate tax laws have become overgrown with favors, especially for multinational companies.</p>	<p>http://www.huffingtonpost.com/2012/01/14/corporate-tax-cuts_n_1205186.html</p>
<p>Commerce Clearing House (CCH) Group, February 2012</p>	<p>Congressional reaction to the administration’s Framework was mixed. Democrats in Congress generally applauded the Framework for laying out a plan to reduce the corporate tax rate, a proposal that enjoys bipartisan support in Congress. Republicans were less enthusiastic, but some GOP lawmakers said that the Framework could serve as a starting point for comprehensive tax reform. While the November elections certainly play a part in the release of the current proposals, major tax reform now is considered inevitable by most observers. The question remains, however, as to</p>	<p>http://tax.cchgroup.com/downloads/files/pdfs/legislation/corp-tax-reform.pdf</p>

	how it will play out	
Wall Street Journal, August 2012	<p>Lawmakers of both parties have said the U.S. corporate tax code needs a rewrite and they are aiming to try next year. One shared source of concern is the top corporate tax rate of 35%—the highest among developed economies. By comparison, Ireland's rate is 12.5%.</p> <p>The Obama administration has proposed lowering the rate to 28%, while Republican rival Mitt Romney has proposed 25%.</p>	http://www.wsj.com/articles/SB10000872396390444230504577615232602107536
Wall Street Journal, August 2012	<p>The surprise is that Mr. Camp remains upbeat about accomplishing both, including finally cracking the code on tax reform by the end of next year. It's a sure thing if Mitt Romney wins, he thinks, and even possible in a second Obama term. "The next president, no matter who that is, is going to have to lead on this issue," he insists.</p>	http://www.wsj.com/articles/SB10001424052702304141204577508960106972678
Fortune Magazine, September 2012	<p>But corporate tax reform — dramatically lowering the rate while closing loopholes — would require a holy alliance of courageous party leaders willing to buck K Street's lobbyist juggernaut, and strategic business leaders willing to buck short-term corporate interests. Both are in short supply, but far from absent. In fact, the ground for post-election reform is already being laid.</p>	http://fortune.com/2012/08/29/a-radical-tax-plan-the-left-and-right-can-agree-on/
Ernst and Young (Interview)	<p>EY: Is it necessarily a “one fell swoop” approach to comprehensive tax reform, or is there an incremental path?</p> <p>DC: I think you need to do it in one fell swoop, but as I said</p>	http://taxinsights.ey.com/archive/archive-pdfs/TPC-DEC2012-

<p>of Rep. Dave Camp (R-MI), September 2012</p>	<p>earlier, I think we need to take a step on extending because we're in this very unique situation of everything expiring at the end of the year. I think we need to deal with that but then move in one fell swoop to kind of bring in some more fundamental reform, and I think there is support among many – Democrat and Republican – in the House and Senate to do that next year.</p>	<p>Low-res.pdf</p>
<p>Washington Post, September 2012</p>	<p>Everyone wants to cut the corporate income tax rate. That's one of the few areas of real common ground in American tax policy. Obama wants a flat rate of 28 percent, down from the current 35 percent top rate. Romney wants to push it even lower, to 25 percent, as does House Ways and Means chair David Camp. All three major bipartisan tax reform plans — Bowles-Simpson, Domenici-Rivlin and Wyden-Coats — include a corporate rate cut, to 28 percent, 27 percent, and 24 percent respectively. And all of these plans would pay for the cuts by closing loopholes.</p>	<p>https://www.washingtonpost.com/news/wonk/wp/2012/09/26/everyone-wants-to-lower-corporate-tax-rates-heres-how-you-do-it/</p>
<p>CATO Institute, September 2012</p>	<p>Corporate income tax reform is receiving serious consideration in Washington. The Obama administration has suggested reducing the federal corporate tax rate from 35 percent to 28 percent while broadening the tax base. Presidential candidate Mitt Romney has said that he would cut the corporate tax rate to 25 percent if elected. The urgency of tax reform increased when Japan recently enacted a reduction to its corporate tax rate. That left the United</p>	<p>http://object.cato.org/sites/cato.org/files/pubs/pdf/tb_b_65.pdf</p>

	States in the uncompetitive position of having the highest statutory tax rate in the world, with a combined federal-state rate of about 40 percent.	
Tax Foundation, September 2012	The stars aligned for the Tax Reform Act of 1986, although it had to die and be resurrected several times along the way before its triumph. Fairness, complexity, economic growth, and special interests: the issues remain the same and the answers remain the same. The impossible can happen again.	http://taxfoundation.org/article/back-future-lessons-tax-reform-act-1986
Brookings Institute, October 2012	Amid all the division on Capitol Hill, both parties generally agree that the corporate tax rate, which at 35 percent is among the highest in the world, needs to be cut. During Wednesday’s presidential debate, both candidates advocated a significant reduction in the corporate tax rate. So if Congress wants to finance a meaningful reduction of the corporate tax rate, it will need to find other base-broadening measures that meet two criteria: a solid policy rationale, and the potential for significant new revenue. Fortunately, there is a base-broadening reform that fits both: limiting corporate interest deductions. Democrats, including President Obama, and Republicans, including House Ways and Means Committee Chairman Dave Camp (R-Mich.), have suggested that Congress seriously consider such an approach.	http://www.brookings.edu/research/opinions/2012/10/04-corporate-taxes-pozen

<p>Commerce Clearing House (CCH) Group, November 2012</p>	<p>On the campaign trail, President Obama called for a reduction in the corporate tax rate. Such a reduction has broad bipartisan support, although there remains disagreement over the proper tax rate and the specific revenue offsets that would be used to broaden the tax base.</p> <p>However, because there is consensus that a reduction in corporate income tax rates would be good for business and good for the country, Congress is expected to enact corporate tax reform, although it may take until late 2013 or 2014 to do so.</p>	<p>http://tax.cchgroup.com/downloads/files/PDFs/Legislation/postelection-taxpolicy.pdf</p>
---	---	--

Appendix B: Examples of Negative Publicity for Candidates Linked to Firms with Low ETRs

The purpose of this appendix is to provide anecdotal evidence that political candidates face scrutiny over their ties to firms paying little or no taxes. We begin by providing more detail on one of the examples we include in the manuscript (see Section 2.3). We then provide details on three additional examples.

a) During the 2012 election campaign, Scott Brown (R-MA) faced considerable scrutiny over his links to firms with low ETRs. CTJ issued a report in November 2011 showing that 30 large and profitable companies paid no federal income taxes between 2008 and 2010 (<http://www.ctj.org/corporatetaxdodgers/CorporateTaxDodgersReport.pdf>). In March 2012, it issued another report naming candidates that received contributions from the “dirty thirty” firms (<http://www.uspirg.org/sites/pirg/files/reports/USP%20Loopholes%20Rpt%20Mar%2012.pdf>). Brown was linked to nine of these firms (<http://www.ctj.org/loopholesforsale/ma.pdf>) but faced particularly strong media scrutiny for being a top recipient of campaign contributions from General Electric (<http://www.motherjones.com/mojo/2012/04/top-tax-dodging-companies-politicians>). Elizabeth Warren (D-MA), his opponent for the Massachusetts Senate seat, made this issue a focal part of her campaign efforts. She cited General Electric and the CTJ report during a highly publicized appearance on the *Daily Show with John Stewart* (<http://elizabethwarren.com/daillyshow?sc=ems>) and again during a campaign advertisement (<http://thinkprogress.org/politics/2012/04/23/469186/elizabeth-warren-ad-ge-taxes/>).

In March 2012, Scott Brown also faced scrutiny over his vote against ending tax subsidies for oil companies (http://www.masslive.com/politics/index.ssf/2012/03/scott_brown_votes_with_republi.html)

The media and Elizabeth Warren campaign argued that this decision was linked to campaign contributions Scott Brown received from the oil and gas industry (<http://thinkprogress.org/climate/2012/03/28/453546/big-oil-runs-ads-for-scott-brown-breaking-peoples-pledge-ad-ban/>). As part of her campaign platform, Elizabeth Warren noted “At a time when some big

companies are paying nothing in taxes and when profitable industries like oil and gas are getting special breaks, it is shameful that Washington would ask seniors to live on less or tell young people they have to take on more debt for school. Scott Brown supports the extreme right-wing proposals of Grover Norquist and marches side-by-side with the same Washington Republicans that blew a massive hole in the federal budget. He has protected tax breaks for millionaires and failed to close corporate loopholes that cost the federal government billions of dollars.” (<http://elizabethwarren.com/issues/jobs-and-the-economy>).

In response to these two controversies, members of the Moveon.org group staged a protest in April 2012 at Scott Brown’s Springfield office. The group indicated that its intention was to demonstrate “the collective outrage that the rich and corporations aren’t paying their fair share of taxes to help rebuild the economy.”(http://www.masslive.com/politics/index.ssf/2012/04/tax_day_protest_scheduled_outs.html).

After Elizabeth Warren defeated Scott Brown in the November 2012 election, CTJ issued the following statement: “In Massachusetts, tax policy became the focal point of difference between Republican Senator Scott Brown and Democratic candidate Elizabeth Warren. During a debate between the candidates, Warren warned voters that “instead of working for the people of Massachusetts” Brown had “taken a pledge to work for Grover Norquist.” Such criticism helped voters see that he was not as independent from conservative influence and the Republican Party as he liked to portray himself in deep blue Massachusetts”(<http://www.ctj.org/taxjusticedigest/archive/2012/11/#.V46MmfrLIU>)

b) In 2012, *Bloomberg* criticized Mitt Romney (R-MA) for his ties to Marriott International Inc. The article argued that while Mitt Romney served on the board of the firm, “Marriot’s effective tax rate dipped as low as 6.8%, compared with the federal corporate statutory rate of 35 percent.” The article outlined several of Marriott’s aggressive tax positions, “Marriott implemented the Son of BOSS shelter attacked by the Department of Justice, bought a synthetic fuels business reliant on tax credits criticized by Congress as a tax shelter and took deductions that eventually led to a \$220 million settlement with the

IRS on another issue.” It also discussed Mitt Romney’s campaign platform promise to lower the statutory corporate tax rate to 25% and campaign contributions Mitt Romney received from Marriott International.

See: <http://www.bloomberg.com/news/articles/2012-02-22/romney-as-auditing-chairman-saw-marriott-son-of-boss-tax-shelter-defy-irs>

c) During the 2016 Democratic leadership race, *New Jersey Today* criticized Hilary Clinton for her ties to firms with low ETRs. Her opponent, Bernie Sanders, made corporate tax avoidance a key part of his presidential campaign platform. He issued a list of 10 firms that paid no federal taxes for at least one year between 2008 and 2012. The media article detailed how “all of the top 10 corporate tax dodgers have donated to Hilary Clinton”. See: <http://njtoday.net/2016/02/02/all-of-the-top-10-corporate-tax-dodgers-have-donated-to-hillary-clinton/>

d) The scrutiny for politicians with links to firms with low ETRs is not restricted to federal politicians or federal taxes. In 2011, *PR Watch* criticized Governor Scott Walker for his ties to SC Johnson. The article outlined “This Racine-based company paid no corporate income taxes in Wisconsin for much if not all of the past decade. SC Johnson's expertise in tax avoiding has earned it the title of "August poster-child of tax avoidance" by a project of the Institute for Wisconsin's Future, a 501(c)(3) non-profit research institute located outside of Milwaukee. Each month, the institute will feature a state corporation that does not pay taxes and cheats the state of much needed revenue. If Governor Walker is really interested in tackling the state's debt, why not investigate the state's biggest corporate tax-dodgers? Perhaps because SC Johnson, along with Johnson Bank, gave significant campaign contributions to Walker's gubernatorial campaign in 2010—over \$14,000 in all. Last month the Institute for Wisconsin's Future also called out Associate Bank and M&I Bank for their state income tax avoidance practices. These two banks, notably, were also both big contributors to Walker's campaign.” See: <http://www.prwatch.org/news/2011/08/10959/walker-lets-tax-cheats-and-campaign-contributors-hook>

Appendix C: Industry Distribution of Sample Firms by Firm Type

Industry (per Fama and French, 1997)	Other- Supporting Firms frequency	Reform- Supporting Firms frequency	% of Reform- Supporting Firms	Average Industry ETR(%)
Food products	8	2	20%	27%
Beer & liquor	3	0	0%	24%
Tobacco products	1	2	67%	35%
Entertainment	8	0	0%	28%
Consumer goods	6	1	14%	24%
Healthcare	14	3	18%	29%
Medical equipment	10	0	0%	22%
Pharmaceutical products	15	4	21%	18%
Chemicals	8	3	27%	23%
Construction materials	4	0	0%	24%
Construction	6	1	14%	34%
Steel works	4	0	0%	33%
Machinery	7	3	30%	28%
Automobiles and trucks	2	2	50%	24%
Aircraft	7	3	30%	24%
Shipbuilding, railroad equipment	3	4	57%	29%
Precious metals	2	3	60%	35%
Petroleum and natural gas	3	4	57%	36%
Utilities	19	5	21%	34%
Communication	28	13	32%	29%
Personal services	16	4	20%	35%
Business services	35	4	10%	26%
Computers	11	2	15%	27%
Electronic equipment	15	4	21%	21%
Measuring, control equipment	3	0	0%	18%
Business supplies	8	0	0%	22%
Transportation	16	6	27%	25%
Wholesale	11	2	15%	30%
Retail	14	6	30%	32%
Restaurants, hotels, motels	2	1	33%	28%
Banking	34	7	17%	28%
Insurance	23	7	23%	29%
Real Estate	3	0	0%	29%
Trading	33	8	20%	27%
Other	<u>12</u>	<u>3</u>	20%	30%
	394	107		