REMAPPING DEBATE
Asking "Why" and "Why Not"

How much lower can we go?

Kudos | By Remapping Debate | Corporate influence, taxes

March 30, 2011 — Kudos to the New York Times and its reporter David Kocieniewski for last week's story on how a large corporation goes about navigating a tax system that is commonly described as having one of the highest corporate tax rates in the world to wind up claiming a $3.2 billion tax credit in a year when it reported $14.2 billion in worldwide profits.

As Kocieniewski reports, "low taxes are nothing new" for General Electric:

> The company has been cutting the percentage of its American profits paid to the Internal Revenue Service for years, resulting in a far lower rate than at most multinational companies. Its extraordinary success is based on an aggressive strategy that mixes fierce lobbying for tax breaks and innovative accounting to concentrate its profits offshore.

While the reporting focuses on General Electric, it also makes clear both the fact that many companies "have been increasingly using a maze of shelters, tax credits and subsidies to pay far less" than the top stated U.S. corporate tax rate of 35 percent.

Rather than leave the story with one person saying that corporate taxes are too high, and another saying that they are too low — or focusing on handicapping the odds of whether corporate tax cut advocates are going to win on Capitol Hill — Kocieniewski places current events within a broad historical context. Strategies like those employed by G.E., "as well as changes in tax laws that encouraged some businesses and professionals to file as individuals, have pushed down the corporate share of the nation's tax reciepts — from 30 percent of all federal revenue in the mid-1950s to 6.6 percent in 2009."

The story is notable for some of the questions it is prepared to ask. For many reporters, G.E.'s position — we have a "responsibility to our shareholders to legally minimize our costs" — would have been the end of the story. For others, that viewpoint is so obviously the only way to think about things, the question "what should a corporation do in relation to the tax code" would not have made it into the story.

In Kocieniewski's story, the absence of that embedded assumption allows for the expression of an alternative:

> "In a rational system, a corporation's tax department would be there to make sure a company complied with the law," said Len Burman, a former Treasury official who now is a scholar at the nonpartisan Tax Policy Center. "But in our system, there are corporations who view their tax departments as a profit center, and the effects on public policy can be negative.

In similar fashion, a reporter not beholden to the idea that "what's good for G.E. is good for America" is able to report two concurrent developments: (1) increased profits due, in part, to a decline in the rate of tax actually paid; and (2) since 2002, the elimination of "a fifth of [G.E.'s] work force in the United States while increasing overseas employment."

Bill Keller — the executive editor of the New York Times who, just this past Sunday, complained about how the Times is "buffeted between those on the right who think we are agents of liberalism and those on the left who think we should be" — might be justifiably proud of Kocieniewski's piece as a good example of factual reporting that "stands up to scrutiny."

But the story also exposes one of Keller's principal conceits: "we do not," he wrote, "go into a story with a preconceived notion."

In fact, like most incisive reporting, the G.E. story had to begin with a hypothesis — it did not emerge from a directionless swim through an undifferentiated set of facts. A hypothesis, of course, is just the beginning of the road: Kocienieski followed through with the evidence.

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