

## Corporate Tax Reserves Outnumber Actual Payments

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BY MICHAEL COHN

Corporations are setting aside more money in their reserves for uncertain tax positions than they are actually paying to the federal government, according to a new study.

The study, by the Ferraro Law Firm, which specializes in IRS whistleblower cases, examined the annual SEC disclosures of Fortune 500 companies. The firm found that collectively Fortune 500 companies have set aside \$187.5 billion in their reserves, outstripping the \$181 billion in total U.S. corporate income tax that the Treasury Department said was actually paid last year by all corporations. The Ferraro Law Firm compiles an annual "Ferraro 500" list, which is a reorganization of the Fortune 500 by the size of the companies' Unrecognized Tax Benefit reserve. The tax reserves of the top five companies are Pfizer, which set aside \$7.309 billion to cover potential taxes; J.P. Morgan Chase & Co., \$7.189 billion; Microsoft, \$6.935 billion; General Electric, \$6.384 billion; and AT&T, with \$5.853 billion.

"The accounting rules require that public companies must hold back, or reserve, earnings for tax positions for which the company thinks the IRS has a greater likelihood of prevailing than the company," said Ferraro tax partner Scott Knott in a statement.

Gregory Lynam, another tax partner at the firm, noted that the reserve amount for uncertain tax positions can be substantial, especially when compared to the annual profits of the company. For example, AT&T, maintained a \$5.853 billion tax reserve on \$3.944 billion in profits, compared to Wal-Mart, which set aside a more modest reserve of \$0.611 billion on \$15.699 billion in profits.

The law firm has submitted detailed submissions to the IRS Whistleblower Office on taxpayers who have collectively underpaid their taxes by more than \$100 billion.

The IRS established the Whistleblower Office in 2007 to collect information about tax cheats and must, by law, pay a reward of up to 30 percent of the amount collected to the tax whistleblower. Former UBS banker Bradley Birkenfield announced Tuesday that he had won a \$104 million reward from the IRS, which appears to be the largest award yet (see [UBS Whistleblower Secures \\$104 Million Award](#)).

The full study can be found at <http://www.tax-whistleblower.com/ferraro500/>.



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