Study says most corporations pay no U.S. income taxes

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WASHINGTON (Reuters) - Most U.S. and foreign corporations doing business in the United States avoid paying any federal income taxes, despite trillions of dollars worth of sales, a government study released on Tuesday said.

The Government Accountability Office said 72 percent of all foreign corporations and about 57 percent of U.S. companies doing business in the United States paid no federal income taxes for at least one year between 1998 and 2005.

More than half of foreign companies and about 42 percent of U.S. companies paid no U.S. income taxes for two or more years in that period, the report said.

During that time corporate sales in the United States totaled $2.5 trillion, according to Democratic Sens. Carl Levin of Michigan and Byron Dorgan of North Dakota, who requested the GAO study.

The report did not name any companies. The GAO said corporations escaped paying federal income taxes for a variety of reasons including operating losses, tax credits and an ability to use transactions within the company to shift income to low tax countries.

With the U.S. budget deficit this year running close to the record $413 billion that was set in 2004 and projected to hit a record $486 billion next year, lawmakers are looking to plug holes in the U.S. tax code and generate more revenues.

Dorgan in a statement called the report "a shocking indictment of the current tax system." Levin said it made clear that "too many corporations are using tax trickery to send their profits overseas and avoid paying their fair share in the United States."

The study showed about 28 percent of large foreign corporations, those with more than $250 million in assets, doing business in the United States paid no federal income taxes in 2005 despite $372 billion in gross receipts, the senators said. About 25 percent of the largest U.S. companies paid no federal income taxes in 2005 despite $1.1 trillion in gross sales that year, they said.

(Reporting by Donna Smith, Editing by David Wiessler)