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Report to Congressional Requesters

December 2008

INTERNATIONAL TAXATION

Large U.S. Corporations and Federal Contractors with Subsidiaries in Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions

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GAO-09-157

December 2008

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Highlights

Highlights of GAO-09-157, a report to congressional requesters

INTERNATIONAL TAXATION

Large U.S. Corporations and Federal Contractors with Subsidiaries in Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions

Why GAO Did This Study

Many U.S. corporations operate globally and have foreign subsidiaries. The subsidiaries may be created, for example, to take advantage of sales opportunities or favorable labor conditions. In some cases they may be used to reduce taxes. GAO was asked to update its 2004 report on large federal contractors with subsidiaries in countries sometimes called tax havens because of low taxes and a general lack of transparency.

In response, GAO determined how many of the 100 largest publicly traded U.S. corporations and the 100 largest publicly traded U.S. federal contractors have subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions.

GAO (1) combined three lists of such jurisdictions created by governmental, international, and academic sources and (2) identified large publicly traded U.S. corporations and federal contractors and the locations of their subsidiaries using the Fortune 500 list, a federal contracting Web site, and a Securities and Exchange Commission (SEC) database.

What GAO Found

Eighty-three of the 100 largest publicly traded U.S. corporations in terms of 2007 revenue reported having subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions. Sixty-three of the 100 largest publicly traded U.S. federal contractors in terms of fiscal year 2007 federal contract obligations reported having subsidiaries in such jurisdictions. Since subsidiaries may be established in listed jurisdictions for a variety of nontax business reasons, the existence of a subsidiary in a jurisdiction listed as a tax haven or financial privacy jurisdiction does not signify that a corporation or federal contractor established that subsidiary for the purpose of reducing its tax burden. GAO did not attempt to determine if corporations or contractors with subsidiaries in such jurisdictions engaged in transactions with their subsidiaries to reduce their tax burden. In addition, the SEC only requires public corporations to report significant subsidiaries, so the number of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions for each corporation or federal contractor may be understated in this report.

There is no agreed-upon definition of a tax haven or agreed-upon list of jurisdictions that should be considered tax havens. However, various governmental, international, and academic sources used similar characteristics to define and identify tax havens. Some of the characteristics included no or nominal taxes; a lack of effective exchange of information with foreign tax authorities; and a lack of transparency in legislative, legal, or administrative provisions. A few sources used terms such as offshore financial centers or financial privacy jurisdictions to refer to jurisdictions with similar characteristics. Based on a review of a variety of sources, GAO identified three lists of tax havens or financial privacy jurisdictions. The three sources GAO used are (1) the Organization for Economic Co-operation and Development, (2) a National Bureau of Economic Research working paper, and (3) a U.S. District Court order granting leave for the Internal Revenue Service to serve a “John Doe” summons. GAO combined the three lists into one for the purposes of this report. GAO did not develop its own definition of tax haven or its own list of jurisdictions.

In commenting on a draft of this report, the Department of the Treasury expressed concerns about GAO using a list of tax havens or financial privacy jurisdictions because there is no agreed-upon definition of tax havens or list of jurisdictions. However, GAO noted that there is no agreed-upon definition or list and also noted that the jurisdictions on the three lists used have similar characteristics. Further, background for one list said that industry analysts recognize them as offshore tax haven or financial privacy jurisdictions and that they are promoted as such.

To view the full product, including the scope and methodology, click on GAO-09-157.
For more information, contact James R. White at (202) 512-9110 or whitej@gao.gov.

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Abbreviations

EDGAR	Electronic Data Gathering, Analysis, and Retrieval database
FPDS-NG	Federal Procurement Data System-Next Generation
FSF	Financial Stability Forum
IMF	International Monetary Fund
IRS	Internal Revenue Service
NBER	National Bureau of Economic Research
OECD	Organization for Economic Co-operation and Development
SEC	Securities and Exchange Commission
TIEA	Tax Information Exchange Agreement

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Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

December 18, 2008

The Honorable Carl Levin
Chairman, Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Byron L. Dorgan
United States Senate

Today, corporations operate in a global economy and most of the largest U.S. corporations have subsidiaries in other countries. Corporations have foreign subsidiaries for a variety of business reasons, including reasons related to taxes. For example, a corporation may establish a foreign subsidiary to take advantage of sales opportunities, natural resources, or favorable labor conditions. In some cases, U.S. taxpayers aggressively interpret U.S. tax law relating to foreign subsidiaries. For example, the Department of the Treasury (Treasury) has found that some U.S. corporations have aggressively set transfer prices[1] to move income to offshore jurisdictions to avoid U.S. taxes.[2] Some offshore jurisdictions have no or nominal taxes and are sometimes referred to as tax havens. In addition, we previously reported that in 2004, for U.S. multinational corporations generally the share of business activities related to income that are more likely to be affected by income-shifting practices[3] was significantly larger in countries with relatively low effective tax rates than the share of business activities that were least likely to be affected by

[1]Transfer prices are the prices related companies, such as parents and subsidiaries, charge on intercompany transactions. These prices affect the distribution of profits between the two companies.

[2]See Department of the Treasury, *Report to the Congress on Earnings Stripping, Transfer Pricing, and U.S. Income Tax Treaties* (November 2007).

[3]Income shifting is transferring gross income from one taxpayer to another taxpayer in a lower tax bracket or jurisdiction, thereby reducing the overall liability of the original taxpayer.

income-shifting practices (physical assets, compensation, and employment).[4]

Because of your interest in U.S. corporations that have subsidiaries in tax havens and possible tax avoidance, you asked us to provide information about those corporations as well as update similar information about federal contractors that we reported in 2004.[5] In this report, as in our previous report, we did not attempt to develop a list of tax havens. Instead, we reviewed various governmental, international, and academic sources addressing offshore business activity. We did not find an agreed-upon definition of a tax haven or an agreed-upon list of the jurisdictions that should be considered tax havens, but the sources we reviewed used similar characteristics to define and identify tax havens.[6] In addition, a few sources used similar characteristics to describe offshore financial centers or financial privacy jurisdictions.[7] For the purposes of this report, we combined lists of jurisdictions from three sources and, for brevity purposes, will refer to the jurisdictions as jurisdictions listed as tax havens or financial privacy jurisdictions. We did not develop our own definition of a tax haven or our own list of jurisdictions. Our objectives in this report were to

- determine how many of the 100 largest publicly traded U.S. corporations in terms of revenue have subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions and the amount of federal contract obligations these corporation have, if any, and

[4]GAO, *U.S. Multinational Corporations: Effective Tax Rates Are Correlated with Where Income Is Reported*, GAO-08-950 (Washington, D.C.: Aug. 12, 2008), which includes information for 17 foreign locations. For a GAO review of the business reasons for establishing a business in a specific jurisdiction, see GAO, *Cayman Islands: Business and Tax Advantages Attract U.S. Persons and Enforcement Challenges Exist*, GAO-08-778 (Washington, D.C.: July 24, 2008).

[5]GAO, *International Taxation: Information on Federal Contractors With Offshore Subsidiaries*, GAO-04-293 (Washington, D.C.: Feb. 2, 2004).

[6]These characteristics include no or nominal taxes; lack of effective exchange of tax information with foreign tax authorities; lack of transparency in the operation of legislative, legal, or administrative provisions; no requirement for a substantive local presence; or self-promotion as an offshore financial center.

[7]These sources describe offshore financial centers as jurisdictions that have a high level of nonresident financial activity and that may have low or no taxes, light and flexible regulation, and a high level of client confidentially, and describe financial privacy jurisdictions as jurisdictions that have strict bank secrecy laws that persons can use to shield their wealth from taxation in their home countries.

- determine how many of the 100 largest publicly traded U.S. federal contractors in terms of contract obligations have subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions.

The three sources we used for jurisdictions listed as tax havens or financial privacy jurisdictions are (1) the Organization for Economic Co-operation and Development's (OECD) list of committed jurisdictions and uncooperative tax havens,[8] (2) a National Bureau of Economic Research (NBER) working paper[9] list of tax havens, and (3) a U.S. District Court order[10] granting leave for the Internal Revenue Service (IRS) to serve a "John Doe" summons that included a list of offshore tax haven or financial privacy jurisdictions.[11] We combined the jurisdictions on the OECD, NBER, and John Doe summons lists because we did not have a basis for excluding any of the identified jurisdictions, resulting in a list of 50 tax haven or financial privacy jurisdictions.

We used the 2008 Fortune 500 list,[12] data from USASpending.gov, the Federal Procurement Data System-Next Generation (FPDS-NG),[13] and contractor's Web sites to identify the 100 largest publicly traded U.S. corporations and U.S federal contractors and the amount of federal contract obligations. We assessed the reliability of USASpending.gov and FPDS-NG and determined that the data were sufficiently reliable for determining the general extent of federal contract obligations. We used the Securities and Exchange Commission's (SEC) Electronic Data Gathering, Analysis, and Retrieval database to determine where corporations reported having significant subsidiaries. Our scope and methodology, including the basis for the list of 50 jurisdictions listed as tax havens or

[8] *OECD removes the Marshall Islands from its List of Unco-operative Tax Havens*, August 7, 2007, which includes a link to *35 Jurisdictions Committed to Improving Transparency and Establishing Effective Exchange of Information in Tax Matters.*

[9] Dhammika Dharmapala and James R. Hines, Jr., *Which Countries Become Tax Havens?* (National Bureau of Economic Research, Cambridge, Mass.: December 2006).

[10] *In the Matter of Tax Liabilities: of John Does, et al.*, No. 5:05-cv-04167-JW (N.D. Cal. 2006).

[11] The court did not address whether these jurisdictions were in fact tax havens in its ruling.

[12] We used the 2008 Fortune 500 list, which is based on revenues for 2007. The revenues were for the corporations' fiscal years, which ended on or before January 31, 2008.

[13] USASpending.gov is a government Web site available to the public that provides information about federal contracts. It utilizes data from FPDS-NG and aggregates subsidiaries and divisions by parent company using information provided by Dun and Bradstreet. We used fiscal year 2007 contract obligations.

financial privacy jurisdictions, are described in greater detail in appendix I.

Results

Eighty-three of the 100 largest publicly traded U.S. corporations in terms of 2007 revenue reported having subsidiaries[14] in jurisdictions listed as tax havens or financial privacy jurisdictions and 74 of the 83 had federal contracts in fiscal year 2007. For the 74 corporations, the amount of the federal contract obligations ranged from $12,000 to over $23 billion. Additional details about these corporations include the following:

- Eighty-six of the 100 corporations had foreign subsidiaries and 14 did not. Eighty-three of the 86 corporations had subsidiaries in locations other than jurisdictions listed as tax havens or financial privacy jurisdictions.
- Four of the 83 corporations that had subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions had more than 100 subsidiaries in such jurisdictions.
- For the 83 corporations with subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions, the number of such subsidiaries ranged from 1 for nine corporations to a high of 427 for one corporation.
- Twelve corporations had more than 50 percent of their foreign subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions. Three of these 12 only had one foreign subsidiary.
- Corporations had subsidiaries in 36 of the 50 jurisdictions listed as tax havens or financial privacy jurisdictions.
- Eight jurisdictions listed as tax havens or financial privacy jurisdictions had more than 100 corporate subsidiaries, ranging from 123 to 569. For the jurisdiction with 569 subsidiaries, 372 were owned by four corporations.
- Thirty-four of the 100 corporations are also on the list of 100 largest publicly traded U.S. federal contractors.

Sixty-three of the 100 largest publicly traded U.S. federal contractors in terms of fiscal year 2007 contract obligations reported having subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions, 34 did not, and 3 did not provide information about the locations of all of

[14]We used information filed with the SEC to determine where subsidiaries were located. The SEC only requires public corporations to report significant subsidiaries. They may omit information on subsidiaries that, when considered in the aggregate, would not constitute significant subsidiaries, and on consolidated wholly owned multiple subsidiaries carrying on the same line of business (such as chain stores). Therefore, these corporations could have additional subsidiaries not considered significant in jurisdictions listed as tax havens or financial privacy jurisdictions. For more information about the definition of significant subsidiaries, see app. I.

their subsidiaries. The following additional details about the federal contractors are based on the 97 contractors that provided complete information.

- Seventy-two of the 97 federal contractors had foreign subsidiaries and 25 did not. Sixty-nine of the 72 contractors also had subsidiaries in locations other than jurisdictions listed as tax havens or financial privacy jurisdictions.
- For the 63 federal contractors with subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions, the number of such subsidiaries ranged from 1 for 11 contractors to a high of 83 for 1 contractor.
- Four federal contractors had more than 50 percent of their foreign subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions. Three of the four had all of their foreign subsidiaries in such jurisdictions.
- Federal contractors had subsidiaries in 34 of the 50 jurisdictions listed as tax havens or financial privacy jurisdictions.
- Five of the jurisdictions listed as tax havens or financial privacy jurisdictions had more than 100 federal contractor subsidiaries, ranging from 111 to 156.
- Thirty-four of the 100 federal contractors are also on the list of 100 largest publicly traded U.S. corporations.

For a list of the 100 largest publicly traded U.S. corporations in terms of 2007 revenues, the amount of their fiscal year 2007 federal contract obligations, the number of foreign subsidiaries, the number of foreign subsidiaries located in jurisdictions listed as tax havens or financial privacy jurisdictions, and the locations of those subsidiaries, see appendix II. For a list of the 100 largest publicly traded U.S. federal contractors in terms of fiscal year 2007 contract obligations, number of foreign subsidiaries, the number of foreign subsidiaries located in jurisdictions listed as tax havens or financial privacy jurisdictions, and the location of those subsidiaries, see appendix III.

The existence of a subsidiary in a jurisdiction listed as a tax haven or financial privacy jurisdiction does not signify that a corporation or contractor established that subsidiary for the purpose of reducing its tax burden. We did not attempt to determine if corporations or contractors engaged in transactions with their subsidiaries in order to reduce their tax burden.

Agency Comments and Our Evaluation

Treasury's Deputy Assistant Secretary for International Tax Affairs provided written comments on a draft of this report on December 9, 2008, and those comments are reprinted in appendix IV. He wrote that Treasury takes offshore tax evasion very seriously and has taken strong administrative and regulatory steps to address the problem. However, the Deputy Assistant Secretary raised concerns about our use of a list of tax havens and financial privacy jurisdictions because, as we noted in the report, there is no agreed-upon definition of tax havens or list of jurisdictions. He added that we did indeed produce such a list by combining three lists prepared by others. He also stated that the lack of consensus results from the fact that determining which jurisdictions are tax havens may depend on whether the issue of interest concerns individual or corporate taxpayers.

In order to respond to Congress's interest in learning about the extent to which U.S. corporations and federal contractors have subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions, we needed a list of such jurisdictions. We combined three lists of jurisdictions listed as tax havens or financial privacy jurisdictions prepared by others. We also stated in our report that we did not develop our own definition of a tax haven or our own list of jurisdictions. However, even though there is no agreed-upon definition, we combined the three lists because the sources used similar characteristics to define and identify tax havens or financial privacy jurisdictions and there was substantial overlap between the countries on the lists. Of the 50 jurisdictions included in this report, 24 are on all three lists, 14 are on two of the lists, and 12 are on one list. We did not exclude any of the identified jurisdictions because we did not have a basis for doing so.

The Deputy Assistant Secretary specifically questioned our use of two of the three lists—the OECD list and the list of jurisdictions included in an IRS "John Doe" summons. The Deputy Assistant Secretary said that the majority of countries have committed to meeting OECD standards and many have signed tax information exchange agreements with the United States. He found it surprising that we used the lack of an updated list as the rationale for using what he characterized as the 2000 OECD list. We used an OECD list that was included in a May 3, 2007, written testimony by the Director, OECD Center for Tax Policy and Administration, before the Senate Finance Committee, which referred to the OECD 2000 list. We updated the May 2007 list based on information on OECD's Web site. The Director of OECD's Centre for Tax Policy and Administration acknowledged in a letter to GAO that OECD and others have not provided a clear picture of which countries are making progress toward meeting

those commitments and which are not. Lacking an unambiguous identification of the countries making or not making progress, we included all of the countries on the updated OECD list because we could not determine which countries are currently meeting OECD standards.

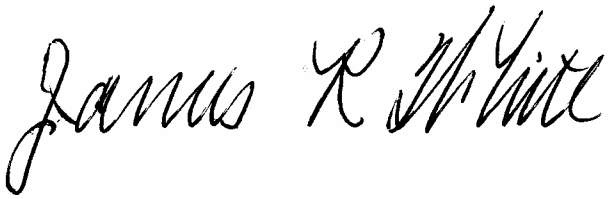
Regarding our use of the jurisdictions identified in IRS's "John Doe" summons, the Deputy Assistant Secretary noted that the list of jurisdictions in the summons was put together for the specific purpose of seeking information about individuals who had signature authority over bank accounts or credit cards issued by financial institutions in those jurisdictions and was not intended to suggest a general list of jurisdictions that Treasury and IRS considered tax havens. He wrote that it was unclear how the list of countries in the "John Doe" summons was relevant to our report because the problems addressed in our report and the summons are so different. We used the identified jurisdictions because, as pointed out in appendix I, the declaration of an IRS agent in support of the summons, which was granted by a U.S. District Court, stated that the jurisdictions included in the summons "are all recognized as principal offshore tax haven or financial privacy jurisdictions by industry analysts and are actively marketed as such by promoters of offshore schemes."

Finally, the Deputy Assistant Secretary expressed concern that the list of jurisdictions in our report could be regarded as a blacklist and may be used as the basis for the imposition of sanctions or other negative measures. Our report provides information to Congress about the extent to which U.S. corporations and federal contractors have subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions. It does not make recommendations about changes to U.S. tax, economic, or foreign policy. As noted in the report, corporations have subsidiaries in such jurisdictions for a variety of business reasons, including reasons related to taxes.

The Commissioner of Internal Revenue provided written comments on a draft of this report in a December 11, 2008, letter which is reprinted in appendix V. The Commissioner wrote that international tax issues are some of the most complex that IRS confronts and that he has made these a top priority in addition to IRS's continued efforts to combat offshore tax evasion. In addition, he welcomed the support provided by independent research and analysis that complements IRS's initiatives in this area and expressed his appreciation of our work on this report and this topic in general. The SEC provided oral comments of a technical nature that were incorporated into our report.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its date. At that time, we will send copies of this report to the Secretary of the Treasury, the Commissioner of Internal Revenue, the Chairman of the Securities and Exchange Commission, and other interested parties. The report also will be available at no charge on GAO's Web site at http://www.gao.gov.

If any of your staff have any questions, please contact me at (202) 512-9110 or whitej@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix VI.



James R. White
Director, Tax Issues
Strategic Issues Team

Appendix I: Objectives, Scope, and Methodology

We had two objectives. Our first objective was to determine how many of the 100 largest publicly traded U.S. corporations in terms of revenue have subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions and the amount of federal contract obligations these corporations have, if any. Our second objective was to determine how many of the 100 largest publicly traded U.S. federal contractors in terms of contract obligations have subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions. We did not determine if corporations or contractors with subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions engaged in transactions or took other actions with regard to their subsidiaries in order to reduce their tax burden. Subsidiaries may be established in listed jurisdictions for a variety of nontax business reasons. For both objectives, we reviewed and analyzed relevant documents and interviewed Department of the Treasury, Internal Revenue Service (IRS), and Securities and Exchange Commission (SEC) officials.

Identifying Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions

To address both objectives, we needed to identify jurisdictions that have been listed as tax havens or financial privacy jurisdictions. For this report as in our 2004 report on federal contractors with offshore subsidiaries, we did not attempt to develop a list of such jurisdictions.[1] Instead, to find sources that may identify such jurisdictions, we searched numerous governmental, international, and academic Internet sites using various key words or phrases. Examples of sites searched include those of the Department of the Treasury, IRS, the Congressional Budget Office, the Congressional Research Service, the Organization for Economic Co-operation and Development (OECD),[2] the International Monetary Fund (IMF), the Financial Stability Forum (FSF),[3] the World Bank, EconLit, F&S Index (a global index of financial publications), Tax Notes, and sites that include excerpts from legislative documents, such as bills or committee reports. Examples of key words or phrases searched include tax havens,

[1]GAO, *International Taxation: Information on Federal Contractors With Offshore Subsidiaries*, GAO-04-293 (Washington, D.C.: Feb. 2, 2004).

[2]OECD is a forum where the governments of 30 market democracies work together to address economic, social, and governance challenges of globalization.

[3]The FSF was convened in April 1999 at the initiative of the G7 Finance Ministers and Central Bank Governors in order to promote international financial stability, improve the functioning of financial markets, and reduce the tendency for financial shocks to propagate from country to country, thus destabilizing the world economy.

offshore tax havens, secrecy jurisdictions, offshore secrecy jurisdictions, and offshore financial centers. Our review of these sites did not find an agreed-upon definition for a tax haven or an agreed-upon list of jurisdictions that should be considered tax havens. However, the sources we reviewed used similar characteristics to define and identify tax havens, including no or nominal taxes; lack of effective exchange of tax information with foreign tax authorities; lack of transparency in the operation of legislative, legal, or administrative provisions; no requirement for a substantive local presence; and self-promotion as an offshore financial center. In addition, a few sources used characteristics similar to those used in describing tax havens to describe offshore financial centers[4] or financial privacy jurisdictions.[5] For brevity purposes, we referred to the jurisdictions included in our report as jurisdictions listed as tax havens or financial privacy jurisdictions.

Based on our research, we identified the following three lists of jurisdictions considered to be tax havens or financial privacy jurisdictions.[6]

- OECD's list of committed jurisdictions and uncooperative tax havens.[7]
- A National Bureau of Economic Research (NBER) working paper,[8] which included a list of tax havens that was based on research summarized in an article in *The Quarterly Journal of Economics*.[9]

[4]Offshore financial centers are generally described as jurisdictions that have a high level of nonresident financial activity, and may have characteristics including low or no taxes, light and flexible regulation, and a high level of client confidentiality.

[5]Financial privacy jurisdictions are generally described as jurisdictions that have strict bank secrecy laws that persons can use to shield their wealth from taxation in their home countries.

[6]In addition, the IMF had a list of jurisdictions that were offshore financial centers. This list was based in part on work done by the FSF. However, IMF is no longer maintaining a list of offshore financial centers because it believes globalization is blurring the distinction between offshore financial centers and other financially active jurisdictions and there are no agreed-upon objective criteria for defining offshore financial centers.

[7]*OECD removes the Marshall Islands from its List of Unco-operative Tax Havens*, August 7, 2007, which includes a link to *35 Jurisdictions Committed to Improving Transparency and Establishing Effective Exchange of Information in Tax Matters.*

[8]Dhammika Dharmapala and James R. Hines, Jr., *Which Countries Become Tax Havens?* (National Bureau of Economic Research, Cambridge, Mass.: December 2006).

[9]James R. Hines, Jr. and Eric M. Rice, "Fiscal Paradise: Foreign Tax Havens and American Business," *The Quarterly Journal of Economics*, vol. 109, no. 1 (1994): 149-182.

- A U.S. District Court order granting leave for IRS to serve a "John Doe" summons,[10] which included a list of jurisdictions that are recognized as offshore tax haven or financial privacy jurisdictions[11] by industry analysts and are actively promoted as such by promoters of offshore schemes.[12]

We combined the jurisdictions on the three lists because we did not have a basis for excluding any of the identified jurisdictions. This resulted in a list of 50 jurisdictions listed as tax havens or financial privacy jurisdictions. The 50 jurisdictions as well as the sources for the jurisdictions are shown in table 1. Of the 50 jurisdictions, 24 are on all three lists, 14 are on two of the lists, and 12 are on one list.

[10]A John Doe summons is a third-party summons that does not identify the person with respect to whose tax liability the summons is issued and may be served only after a court proceeding. A third-party summons is a summons requesting information on a person or persons other than the recipient of the summons. To obtain a John Doe summons, the United States must establish that (1) the summons relates to the investigation of a particular person or ascertainable group or class of persons whose identity is unknown, (2) there is a reasonable basis for believing that such person or group or class of persons may fail or may have failed to comply with any provision of any internal revenue law, and (3) the information sought to be obtained from the examination of the records or testimony and the identity of the John Doe(s) is not readily available from other sources. 26 U.S.C. § 7609(f).

[11]The court did not address whether these jurisdictions were in fact tax havens in its ruling.

[12]According to an IRS Office of Research official, the office used a list of tax havens in a research project. The list was developed many years ago and does not include any jurisdictions that are not included in the John Doe summons.

Table 1: Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions and the Sources of Those Jurisdictions

Jurisdiction	OECD	NBER	U.S. District Court order granting leave for IRS to serve a "John Doe" summons
Andorra	X[a]	X	
Anguilla	X	X	X
Antigua and Barbuda	X	X	X[b]
Aruba	X		X[b]
Bahamas	X	X	X[b]
Bahrain	X	X	
Barbados		X	X[b]
Belize	X	X	X
Bermuda	X	X	X[b, c]
British Virgin Islands	X	X	X[d]
Cayman Islands	X	X	X[b]
Cook Islands	X	X	X
Costa Rica			X[b]
Cyprus	X	X	X[c]
Dominica	X	X	X[b]
Gibraltar	X	X	X
Grenada	X	X	X[b]
Guernsey	X	X[d]	X[b, e]
Hong Kong		X	X
Ireland		X	
Isle of Man	X	X	X[b]
Jersey	X	X[d]	X[b]
Jordan		X	
Latvia			X[c]
Lebanon		X	
Liberia	X	X	
Liechtenstein	X[a]	X	X
Luxembourg		X	X[c]
Macao		X	
Maldives		X	
Malta	X	X	X
Marshall Islands	X	X	
Mauritius	X		

Jurisdiction	OECD	NBER	U.S. District Court order granting leave for IRS to serve a "John Doe" summons
Monaco	X[a]	X	
Montserrat	X	X	
Nauru	X		X
Netherlands Antilles	X	X	X[b]
Niue	X		
Panama	X	X	X
Samoa	X		X
San Marino	X		
Seychelles	X		
Singapore		X	X
St. Kitts and Nevis	X	X	X
St. Lucia	X	X	X[f]
St. Vincent and the Grenadines	X	X	X
Switzerland		X	X[c]
Turks and Caicos Islands	X	X	X
U.S. Virgin Islands	X		
Vanuatu	X	X	X

Sources: OECD, NBER, and John Doe summons.

[a]These are uncooperative tax havens; the remaining are committed jurisdictions. These terms are explained in the following paragraph.

[b]A Tax Information Exchange Agreement (TIEA) is in force between the United States and this jurisdiction.

[c]A double tax treaty is in force with an exchange of information provision. For Switzerland, the treaty provides that the competent authorities of the contracting states shall exchange such information as is necessary "for the prevention of tax fraud or the like."

[d]NBER's list included the Channel Islands. Jersey and Guernsey are part of the Channel Islands. The two other sources we used to identify tax havens listed Jersey and Guernsey as two separate tax havens and did not include the Channel Islands on their lists of tax havens. To be consistent, we are including Jersey and Guernsey as tax havens on the bureau's list rather than the Channel Islands.

[e]The John Doe summons lists Guernsey/Sark/Alderney. OECD only included Guernsey. Since Sark and Alderney are part of the Bailiwick of Guernsey, to be consistent, we are only including Guernsey on our list of tax havens.

[f]The TIEA signed by the United States and St. Lucia on January 30, 1987, is not in effect within the meaning of section 274(h)(6)(A)(i) of the Internal Revenue Code because the government of St. Lucia has not enacted legislation to implement the agreement.

Organization for Economic Co-operation and Development

As of February 2008, OECD lists 38 jurisdictions—35 that have made commitments to cooperate with OECD in addressing issues related to transparency and the effective exchange of information and 3 that have

not made such commitments.[13] OECD refers to the 35 as committed jurisdictions and the remaining 3 as uncooperative tax havens. Although OECD does not provide a unique definition of the term tax haven, OECD has established a set of criteria to characterize a tax haven. Specifically, OECD stipulates four major features of a tax haven: (1) no or nominal income tax; (2) rules that prevent the effective exchange of information with foreign tax authorities; (3) a lack of transparency in the operation of legislative, legal, or administrative provisions; and (4) the absence of a requirement for a substantive local presence. In general, OECD classifies a country as a tax haven if it meets the criterion of no or nominal income tax, and at least one of the other criteria. Most of the committed jurisdictions agreed to cooperate with OECD in addressing "harmful tax practices" by December 31, 2005. However, OECD reported in October 2007 that some jurisdictions that committed to implementing standards on transparency and the effective exchange of information had failed to do so, although OECD did not specify which or how many jurisdictions had not made progress. As a result, we included all 38 jurisdictions in our review.

National Bureau of Economic Research

An NBER December 2006 working paper[14] that attempts to determine which jurisdictions become tax havens uses as its basic definition the list of 41 countries and territories identified as tax havens by Hines and Rice in a 1994 article in *The Quarterly Journal of Economics*.[15] This list is based on the coexistence of low business tax rates in a jurisdiction in 1982 and its identification as a tax haven by multiple authoritative sources. As explained below, this resulted in a list of 40 tax havens that we used in our review.

[13]OECD does not systematically review this list to determine if jurisdictions should be removed from it.

[14]Dharmapala and Hines, *Which Countries Become Tax Havens?* NBER, founded in 1920, is a private, nonprofit, nonpartisan research organization dedicated to promoting a greater understanding of how the economy works. NBER is committed to undertaking and disseminating unbiased economic research among public policymakers, business professionals, and the academic community and is the nation's leading nonprofit economic research organization.

[15]Hines and Rice, "Fiscal Paradise: Foreign Tax Havens and American Business." *The Quarterly Journal of Economics* is the oldest professional journal of economics in the English language. Edited at Harvard University's Department of Economics, it covers all aspects of the field—from the journal's traditional emphasis on microtheory to both empirical and theoretical macroeconomics.

Although *The Quarterly Journal of Economics* article identifies 41 countries as tax havens, the NBER study revised this list to include 39 countries. First, *The Quarterly Journal of Economics* article included the United Kingdom Caribbean Islands and St. Martin. The NBER study deleted the United Kingdom Caribbean Islands from the list because the United Kingdom Caribbean Islands is a general term used by the Bureau of Economic Analysis for British dependencies in the Caribbean, and most of these dependencies are included as separate tax havens on the list (Anguilla, Montserrat, the Cayman Islands, and the Turks and Caicos Islands). Second, the NBER study also deleted St. Martin from the list because it is part of the Netherlands Antilles and the Netherlands Antilles is already included on the list.

The NBER study and *The Quarterly Journal of Economics* article included the Channel Islands on the list of tax havens. Jersey and Guernsey are part of the Channel Islands. The other sources we used to identify tax havens listed Jersey and Guernsey as two separate tax havens and did not include the Channel Islands on their lists of tax havens or financial privacy jurisdictions. To be consistent, we are including Jersey and Guernsey as tax havens rather than the Channel Islands. When this criterion is applied, the NBER study includes 40 tax havens.[16]

Per *The Quarterly Journal of Economics* article, tax havens are often defined as locations with the following four attributes: (1) low corporate or personal tax rates, (2) legislation that supports banking and business secrecy, (3) advanced communication facilities, and (4) self-promotion as an offshore financial center. *The Quarterly Journal of Economics* list of tax havens is a combination of the following

- The authors started with a list of 32 tax haven countries that Glautier and Bassinger reported in 1987 were in the *Internal Revenue Manual*. They deleted 3 countries in which the foreign corporate tax paid by U.S. companies was greater than 20 percent of pretax income resulting in a list of 29 tax haven countries.
- Next, the authors used Andre Beauchamp's[17] list of tax haven countries. This list included all of the IRS-identified countries plus 15 others. The

[16]After deleting the Channel Islands from the list of 39 tax havens and adding Jersey and Guernsey, the resulting total is 40.

[17]Andre Beauchamp, *Guide Mondial des Paradis Fiscaux* (Paris: Editions Grasset & Fasqualle, 1983).

authors added the Beauchamp countries, which had an average tax rate lower than 10 percent for U.S. companies. This resulted in adding 7 countries to the list.

- They applied the same criteria (average tax rate lower than 10 percent for U.S. companies) to the countries discussed in the Economist Intelligence Unit's[18] tax haven volume developed by Caroline Doggart[19] in 1983 that they applied to the countries included in the Beauchamp study. This resulted in adding five countries to the list.

This resulted in a list of 41 tax havens. As previously explained, to be consistent with other sources we used to identify tax havens, there are 40 tax havens on this list.

John Doe Summons

On October 14, 2005, the United States filed in the U.S. District Court for the Northern District of California an *ex parte* petition for leave to serve a "John Doe" summons upon PayPal, Inc. and its affiliates and subsidiaries pursuant to sections 7402(a), 7609(f), and 7609(h) of the Internal Revenue Code,[20] and the court issued an order granting leave to serve the John Doe summons in February 2006.[21]A John Doe summons is a third-party summons[22] that does not identify the person with respect to whose tax liability the summons is issued and may be served only after a court proceeding.[23] The summons was for information on U.S. taxpayers who, during the years ended December 31, 1999, through December 31, 2004, had signature authority over bank accounts at or over MasterCard, VISA,

[18]The Economist Intelligence Unit is a global research and advisory firm whose mission is to provide executives with authoritative analysis and forecasts to make informed global decisions.

[19]Caroline Doggart, *Tax Havens and Their Uses* (London: Economist Intelligence Unit, 1983).

[20]*In the Matter of the Tax Liabilities of John Does*, No. 5:05-cv-04167-PVT (N.D. Cal. 2005).

[21]*In the Matter of Tax Liabilities of John Does, et al.*, No. 5:05-cv-04167-JW (N.D. Cal. 2006).

[22]A third-party summons is a summons requesting information on a person or persons other than the recipient of the summons.

[23]To obtain a John Doe summons, IRS must establish that (1) the summons relates to the investigation of a particular person or ascertainable group or class of persons whose identity is unknown, (2) there is a reasonable basis for believing that such person or group or class of persons may fail or may have failed to comply with any provision of any internal revenue law, and (3) the information sought to be obtained from the examination of the records or testimony and the identity of the John Doe(s) is not readily available from other sources. 26 U.S.C. § 7609(f).

or American Express cards issued by, through, or on behalf of banks or other financial institutions in 34 jurisdictions.

Supporting the petition was a declaration of an IRS revenue agent.[24] The IRS agent stated that IRS was conducting an investigation to determine the correct federal income tax liabilities, for the years ended December 31, 1999, through December 31, 2004, of U.S. taxpayers who had signature authority over bank accounts or other MasterCard, VISA, or American Express cards issued by, through, or on behalf of banks or other financial institutions in the same 34 jurisdictions. Further, in the declaration the agent states the following:

> "Based upon my experience and information received from other investigations, it is likely that a number of the persons who have signature authority over bank accounts at or over American Express, MasterCard, or VISA payment cards issued by, through, or for banks or other financial institutions in the jurisdictions identified … may have been under-reporting income, evading income taxes, or otherwise violating the internal revenue laws of the United States."[25]

In this declaration, the IRS revenue agent stated that the 34 jurisdictions listed on the John Doe summons to PayPal "are widely known as places where, because of strict bank secrecy laws and devices such as International Business Corporations, trusts and other subterfuges, persons can shield their wealth from taxation in their home countries. These jurisdictions are all recognized as principal offshore tax haven or financial privacy jurisdictions by industry analysts and are actively marketed as such by promoters of offshore schemes."[26] The declaration explains that these jurisdictions were selected "on the reasonable belief that United States taxpayers have failed or may have failed to comply with provisions of the internal revenue laws through the use of American Express, MasterCard, or VISA payment cards issued by, through, or on behalf of banks and other financial institutions in those jurisdictions."[27]

[24]Declaration of Barbara Kallenberg, *In the Matter of the Tax Liabilities of John Does*, No. 5:05-cv-04167-PVT (N.D. Cal. 2005).

[25]*Id.* at 4-5.

[26]*Id.* at 48.

[27]*Id.* at 48-49.

Identifying the Largest Corporations and Federal Contractors and Their Subsidiaries in Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions

For the first objective, we used the Fortune 500 list to identify the 100 largest publicly traded U.S. corporations in terms of revenue for 2007.[28] We used data from USASpending.gov[29] to determine if these corporations had 2007 fiscal year federal contract obligations and, if so, the amount of those obligations. For the second objective, we used USASpending.gov to identify the largest federal contractors based on fiscal year 2007 obligations and used information from the contractors' Web sites and the Fortune 500 list to determine if they were publicly traded U.S. corporations. Based on this information, we developed a list of the 100 largest publicly traded U.S. federal contractors.

USASpending.gov utilizes data from the Federal Procurement Data System-Next Generation (FPDS-NG) and aggregates subsidiaries and divisions by parent company using information provided by Dun and Bradstreet. To assess the reliability of USASpending.gov and FPDS-NG data, we reviewed documentation about the data and systems that produced them, including the FPDS-NG data element dictionary, data validation rules, and certification process. Based on this, we determined that the data were sufficiently reliable for the purpose of determining the general extent of federal contract obligations. However, because of situations in which corporations may participate in other activities, such as joint ventures; limited information on some corporations; and the constantly changing circumstances of corporations, their holdings, and their contracts, we faced challenges in developing a list of the largest federal contractors and determining the total obligations of those contracts. As a result, we developed the following criteria to develop the list of the 100 largest publicly traded U.S. federal contractors and to determine the amounts of contract obligations:

- First, we excluded subsidiaries and joint ventures because they are not publicly traded.[30]
- Second, if we could not determine if a contractor was a publicly traded U.S. corporation, we did not include the contractor on our list. In these cases we often identified news articles or information from the

[28]We used the 2008 Fortune 500 list, which is based on revenues for 2007. The revenues were for the corporations' fiscal years that ended on or before January 31, 2008.

[29]USASpending.gov is a government Web site available to the public that provides information about federal contracts.

[30]Subsidiaries are owned by corporations that may or may not be publicly traded and joint ventures are owned by two or more corporations that may or may not be publicly traded.

contractor's Web sites that indicated that the contractor was not publicly traded or was not a U.S. company, such as only finding information about the contractor in a foreign language.

- Third, in determining the amount of obligations, if a subsidiary of a contractor was listed, we did not add the dollar amount of the subsidiary's contract to the parent's contract, and if a contractor was listed twice, we used the dollar amount only from the first listing of the contractor and did not add the contract amount(s) from any other listings for that contractor. We did not add subsidiary contracts to parents' contracts or add multiple listings of the same contractor because if we did so, then to ensure that we used comparable data for other contractors, we would have needed to review the entire list of federal contractors and conduct additional research for each contractor to identify other subsidiaries or multiple listings. Since the federal contract amount is secondary to the main purpose of our review—to identify the extent of subsidiaries in jurisdictions that may be listed as tax havens or financial privacy jurisdictions—we determined that not reviewing the entire list of federal contractors was an acceptable limitation for our review.

Using these criteria likely resulted in lower estimates of contract obligations for some federal contractors as well as the contract obligations for some of the largest corporations.

To address both objectives, we used Form 10-K[31] and Exhibit 21,[32] which are included in the SEC's Electronic Data Gathering, Analysis, and Retrieval database (EDGAR), to determine the locations of corporations' and contractors' subsidiaries based on their latest filings with the SEC at the time of our review. Since the principal executive officer(s), the principal financial officer(s), the controller or principal accounting officer, and at least the majority of the board of directors or persons with similar functions must sign the form filed with the SEC that includes the subsidiaries, we did not take additional steps to verify the accuracy of information found in EDGAR. Also, since the SEC only requires public corporations to report their significant subsidiaries, we were only able to identify the subset of corporate subsidiaries meeting the definition of significant subsidiary. Within Exhibit 21, public corporations may omit

[31]Form 10-K is used for the annual reports or transition reports that corporations file with the SEC according to the Securities Exchange Act of 1934. 15 U.S.C. §§ 78m, 78o(d); 17 C.F.R. § 249.310.

[32]In Exhibit 21, public corporations are required to list their subsidiaries and the names under which they do business and the state or jurisdiction of incorporation or organization.

information on those subsidiaries that do not constitute significant subsidiaries when considered in the aggregate. The SEC considers a subsidiary to be significant if (1) the parent corporation's and its other subsidiaries' investments in and advances to the subsidiary exceed 10 percent of the consolidated total assets of the parent corporation and its subsidiaries, (2) the parent corporation's and its other subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the subsidiary exceeds 10 percent of the consolidated total assets of the parent corporation and its subsidiaries, or (3) the parent corporation and its other subsidiaries' equity in the income from continuing operations[33] exceeds 10 percent of the consolidated income from continuing operations of the parent corporation and its subsidiaries. Corporations may also omit information on consolidated wholly owned multiple subsidiaries carrying on the same line of business (such as chain stores). Since the SEC only requires public corporations to report significant subsidiaries, the number of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions for each corporation or federal contractor may be understated in this report.

[33]In this case, the SEC defines such income as income from continuing operations before income taxes, extraordinary items, and the cumulative effect of a change in accounting principle.

Appendix II: The 100 Largest Publicly Traded U.S. Corporations

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
3M	94	$24,462	$31,275	62	9 Bermuda (1) Hong Kong (1) Luxembourg (2) Singapore (3) Switzerland (2)
Abbott Laboratories	91	25,914	66,126	168	36 Bahamas (2) Barbados (1) Bermuda (5) Costa Rica (1) Grenada (1) Hong Kong (1) Ireland (13) Latvia (1) Lebanon (1) Panama (2) Singapore (2) Switzerland (5) Virgin Islands (1)[b]
Aetna	83	27,600	192	14	8 Bermuda (4) Cayman Islands (1) Hong Kong (2) Ireland (1)
Alcoa	79	30,748	80,235	31	4 Hong Kong (1) Luxembourg (2) Switzerland (1)
Allstate	63	36,769	0	7	1 Bermuda (1)

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Altria Group	60	38,051	0	163	38
					British Virgin Islands (3)
					Cayman Islands (1)
					Costa Rica (2)
					Hong Kong (1)
					Ireland (2)
					Latvia (1)
					Luxembourg (1)
					Netherlands Antilles (1)
					Panama (2)
					Singapore (3)
					Switzerland (21)
American Express	74	32,316	355	165	39
					Bahrain (2)
					British Virgin Islands (2)
					Cayman Islands (9)
					Guernsey (6)
					Hong Kong (4)
					Jersey (4)
					Luxembourg (3)
					Netherlands Antilles (2)
					Panama (1)
					Singapore (2)
					Switzerland (4)
American International Group	13	110,064	598	88	18
					Bahrain (2)
					Bermuda (5)
					Hong Kong (3)
					Ireland (3)
					Luxembourg (1)
					Panama (1)
					Switzerland (3)
AmerisourceBergen Corporation	28	66,074	1,469,378	0	0
Apple	97	24,006	2,221	1	1
					Ireland (1)
Archer-Daniels-Midland Company	51	44,018	197,488	6	3
					Cayman Islands (2)
					Ireland (1)

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
AT&T, Inc.	10	118,928	519,233	0	0
Bank of America Corporation	9	119,190	13,763	311	115
					Bahamas (3)
					Bermuda (2)
					Cayman Islands (59)
					Gibraltar (2)
					Hong Kong (8)
					Ireland (14)
					Jersey (3)
					Luxembourg (15)
					Mauritius (3)
					Singapore (5)
					U.S. Virgin Islands (1)
Berkshire Hathaway, Inc.	11	118,245	235,394	27	1
					Ireland (1)
Best Buy	65	35,934	1,885	35	13
					Bermuda (2)
					Hong Kong (2)
					Luxembourg (1)
					Mauritius (7)
					Turks and Caicos Islands (1)
The Boeing Company	27	66,387	23,312,965	135	38
					Bermuda (6)
					Cayman Islands (1)
					Gibraltar (2)
					Hong Kong (4)
					Ireland (4)
					Netherlands Antilles (2)
					Singapore (3)
					U.S. Virgin Islands (16)

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Cardinal Health, Inc.	19	88,364	1,039,243	135	23
					Barbados (1)
					Bermuda (2)
					British Virgin Islands (1)
					Cayman Islands (1)
					Hong Kong (1)
					Ireland (5)
					Luxembourg (3)
					Malta (1)
					Mauritius (1)
					Singapore (3)
					Switzerland (4)
Caterpillar, Inc.	49	44,958	171,485	329	49
					Barbados (1)
					Bermuda (13)
					Costa Rica (1)
					Guernsey (1)
					Hong Kong (3)
					Ireland (2)
					Luxembourg (3)
					Mauritius (1)
					Panama (3)
					Singapore (8)
					Switzerland (13)
Chevron	3	210,783	98,418	45	23
					Bahamas (5)
					Bermuda (16)
					Liberia (1)
					Singapore (1)

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Cisco Systems	70	34,922	4,063	201	38
					Barbados (1)
					Bermuda (7)
					Costa Rica (1)
					Cyprus (1)
					Hong Kong (5)
					Ireland (8)
					Jordan (1)
					Latvia (1)
					Luxembourg (2)
					Mauritius (2)
					Panama (1)
					Singapore (6)
					Switzerland (2)
Citigroup	8	159,229	3,122	1,240	427
					Aruba (1)
					Bahamas (16)
					Bahrain (1)
					Barbados (2)
					Bermuda (19)
					British Virgin Islands (35)
					Cayman Islands (90)
					Channel Islands (12)
					Costa Rica (19)
					Gibraltar (1)
					Guernsey (1)
					Hong Kong (40)
					Ireland (16)
					Isle of Man (1)
					Jersey (21)
					Luxembourg (91)
					Macao (1)
					Mauritius (15)
					Panama (17)
					St. Kitts and Nevis (1)
					Singapore (18)
					Switzerland (8)
					Turks and Caicos Islands (1)

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Coca–Cola	81	28,857	29,942	72	8
					British Virgin Islands (1)
					Cayman Islands (2)
					Costa Rica (1)
					Hong Kong (1)
					Ireland (1)
					Singapore (1)
					Switzerland (1)
Comcast	78	30,895	3,118	29	3
					Hong Kong (1)
					Netherlands Antilles (1)
					Switzerland (1)
ConocoPhillips	5	178,558	267,206	125	44
					Bahamas (2)
					Bermuda (17)
					British Virgin Islands (2)
					Cayman Islands (9)
					Ireland (3)
					Liberia (5)
					Luxembourg (2)
					Marshall Islands (1)
					Singapore (1)
					Switzerland (2)
Costco Wholesale	29	64,400	12	3	1
					Bermuda (1)
Countrywide Financial	98	23,442	0	20	7
					Cayman Islands (1)
					Costa Rica (1)
					Guernsey (2)
					Hong Kong (1)
					Mauritius (1)
					Singapore (1)
CVS Caremark	24	76,330	971	0	0
Deere	96	24,082	29,428	32	3
					Luxembourg (2)
					Switzerland (1)

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Dell, Inc.	33	61,133	1,132,476	158	29
					Bahrain (1)
					Barbados (1)
					Cayman Islands (4)
					Costa Rica (2)
					Hong Kong (1)
					Ireland (10)
					Lebanon (1)
					Luxembourg (1)
					Panama (1)
					Singapore (5)
					Switzerland (2)
Delphi	88	26,160	1,650	141	9
					Ireland (1)
					Luxembourg (3)
					Singapore (3)
					Virgin Islands (2)[b]
Dow Chemical	41	53,513	10,180	317	35
					Bahrain (1)
					Barbados (3)
					Bermuda (3)
					Costa Rica (1)
					Hong Kong (5)
					Ireland (3)
					Luxembourg (3)
					Mauritius (2)
					Singapore (6)
					Switzerland (7)
					Virgin Islands (1)[b]
DuPont	80	30,653	3,386	44	9
					Bermuda (2)
					Hong Kong (1)
					Luxembourg (2)
					Singapore (1)
					Switzerland (3)
Enterprise GP Holdings	86	26,714	0	1	0

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Exxon Mobil Corporation	2	372,824	949,152	122	32
					Bahamas (18)
					Bermuda (1)
					Cayman Islands (3)
					Hong Kong (3)
					Ireland (1)
					Luxembourg (2)
					Singapore (3)
					Switzerland (1)
Fannie Mae	52	43,355	0	0	0
FedEx	67	35,214	59,453	101	21
					Antigua (1)
					Bahamas (1)
					Barbados (1)
					Bermuda (1)
					Cayman Islands (3)
					Costa Rica (1)
					Grenada (1)
					Hong Kong (2)
					Ireland (3)
					Netherlands Antilles (2)
					Singapore (1)
					St. Kitts (1)
					St. Lucia (1)
					Turks and Caicos Islands (1)
					U.S. Virgin Islands (1)
Ford Motor Company	7	172,468	358,360	54	2
					Bermuda (1)
					Cayman Islands (1)
Freddie Mac	53	43,104	0	0	0
General Dynamics Corporation	84	27,294	13,905,516	51	5
					Cyprus (1)
					Singapore (1)
					Switzerland (3)
General Electric Company	6	176,656	2,780,528	40	7
					Bermuda (3)
					Luxembourg (1)
					Singapore (3)

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
General Motors Corporation	4	182,347	517,205	113	11 Barbados (1) Bermuda (2) Cayman Islands (4) Ireland (1) Singapore (1) Switzerland (2)
GMAC	77	31,490	0	56	2 Bermuda (1) Switzerland (1)
Goldman Sachs Group	20	87,968	356	55	29 Bermuda (3) British Virgin Islands (1) Cayman Islands (15) Hong Kong (3) Ireland (1) Jersey (1) Mauritius (5)
Hartford Financial Services	90	25,916	353	32	10 Bermuda (7) Ireland (3)
Hess Corporation	76	31,924	240,500	11	5 Cayman Islands (4) U.S. Virgin Islands (1)
Hewlett–Packard Company	14	104,286	374,297	81	14 Cayman Islands (1) Costa Rica (1) Hong Kong (1) Ireland (3) Latvia (1) Netherlands Antilles (1) Singapore (4) Switzerland (2)
Home Depot	22	84,740	2,304	0	0

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Honeywell International, Inc.	72	34,589	2,491,103	35	7 Bermuda (1) Luxembourg (3) Singapore (1) Switzerland (2)
Humana	93	25,290	37,863	5	0
Ingram Micro	68	35,047	0	104	33 Barbados (1) Bermuda (2) British Virgin Islands (1) Cayman Islands (8) Hong Kong (6) Luxembourg (1) Mauritius (2) Panama (1) Singapore (10) Switzerland (1)
Intel	59	38,334	0	15	6 Cayman Islands (5) Costa Rica (1)
International Business Machines Corporation	15	98,786	1,427,788	70	10 Bahamas (1) Barbados (1) Bermuda (1) Costa Rica (1) Hong Kong (1) Ireland (1) Latvia (1) Luxembourg (1) Singapore (1) Switzerland (1)

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
J.P. Morgan Chase & Co.	12	116,353	55,337	163	50
					Bahamas (1)
					Bermuda (2)
					British Virgin Islands (4)
					Cayman Islands (7)
					Channel Islands (4)
					Hong Kong (8)
					Ireland (2)
					Luxembourg (8)
					Mauritius (8)
					Singapore (5)
					Switzerland (1)
Johnson & Johnson	34	61,095	170,246	175	38
					Hong Kong (2)
					Ireland (16)
					Luxembourg (1)
					Panama (1)
					Singapore (1)
					Switzerland (17)
Johnson Controls	71	34,678	120,645	0	0
Kraft Foods, Inc.	62	37,241	348,708	255	36
					Bahamas (1)
					Bahrain (1)
					British Virgin Islands (2)
					Cayman Islands (1)
					Costa Rica (3)
					Hong Kong (4)
					Ireland (4)
					Latvia (1)
					Liberia (2)
					Luxembourg (2)
					Panama (1)
					Singapore (8)
					Switzerland (6)
Kroger	26	70,235	86	1	1
					Hong Kong (1)

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Lehman Brothers Holdings	36	59,003	25	141	57 Bermuda (2) Cayman Islands (31) Hong Kong (9) Ireland (1) Luxembourg (6) Mauritius (3) Singapore (5)
Lockheed Martin Corporation	56	41,862	32,784,881	0	0
Lowe's	47	48,283	717	0	0
Macy's	87	26,340	0	0	0
Marathon Oil	35	60,044	50	115	76 Bahamas (1) Barbados (1) Bermuda (3) Cayman Islands (65) Cyprus (1) Ireland (2) Liberia (1) Luxembourg (1) Switzerland (1)
McDonald's	100	23,231	0	34	5 Hong Kong (2) Switzerland (3)
McKesson Corporation	18	93,574	4,692,110	1	1 Ireland (1)
Medco Health Solutions	50	44,506	261	0	0

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Merck & Co., Inc.	95	24,198	1,418,213	199	44
					Barbados (2)
					Bermuda (14)
					Cyprus (1)
					Hong Kong (3)
					Ireland (7)
					Latvia (1)
					Lebanon (1)
					Luxembourg (2)
					Panama (2)
					Singapore (6)
					Switzerland (5)
Merrill Lynch	30	64,217	500	82	21
					Bermuda (2)
					Cayman Islands (3)
					Hong Kong (4)
					Ireland (2)
					Luxembourg (1)
					Mauritius (3)
					Netherlands Antilles (1)
					Singapore (2)
					Switzerland (3)
MetLife	42	53,150	1,873	84	19
					Barbados (5)
					Bermuda (3)
					Cayman Islands (5)
					Hong Kong (2)
					Ireland (2)
					Singapore (1)
					Virgin Islands (1)[b]
Microsoft	43	51,122	48,717	14	8
					Bermuda (2)
					Ireland (5)
					Singapore (1)

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Morgan Stanley	21	87,879	14,062	568	273
					Bermuda (3)
					British Virgin Islands (1)
					Cayman Islands (158)
					Cyprus (2)
					Gibraltar (2)
					Hong Kong (15)
					Ireland (6)
					Jersey (19)
					Liberia (5)
					Luxembourg (29)
					Malta (1)
					Marshall Islands (14)
					Mauritius (4)
					Panama (1)
					Singapore (9)
					Switzerland (4)
Motorola, Inc.	64	36,622	321,347	24	4
					Hong Kong (1)
					Singapore (3)
News Corporation	82	28,655	2,646	782	152
					Belize (1)
					Bermuda (1)
					British Virgin Islands (62)
					Cayman Islands (33)
					Cyprus (1)
					Hong Kong (21)
					Ireland (1)
					Latvia (4)
					Luxembourg (4)
					Marshall Islands (1)
					Mauritius (15)
					Panama (1)
					Singapore (5)
					Switzerland (2)
Northrop Grumman Corporation	75	32,032	15,991,673	0	0

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
PepsiCo, Inc.	58	39,474	218,353	356	70
					Bahamas (1)
					Barbados (1)
					Bermuda (13)
					Cayman Islands (2)
					Costa Rica (2)
					Cyprus (5)
					Gibraltar (1)
					Hong Kong (10)
					Ireland (9)
					Jordan (1)
					Latvia (1)
					Liechtenstein (1)
					Luxembourg (7)
					Mauritius (2)
					Netherlands Antilles (6)
					Panama (1)
					Singapore (1)
					Switzerland (6)
Pfizer	46	48,418	40,609	356	80
					Bahamas (1)
					Bermuda (3)
					Cayman Islands (1)
					Costa Rica (2)
					Guernsey (1)
					Hong Kong (4)
					Ireland (28)
					Jersey (10)
					Luxembourg (16)
					Panama (3)
					Singapore (6)
					Switzerland (4)
					Virgin Islands (1)[b]

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
The Procter & Gamble Company	23	76,476	312,828	581	83
					Barbados (1)
					Belize (1)
					Bermuda (5)
					British Virgin Islands (2)
					Cayman Islands (2)
					Costa Rica (3)
					Hong Kong (10)
					Ireland (11)
					Latvia (1)
					Lebanon (2)
					Liechtenstein (1)
					Luxembourg (6)
					Panama (3)
					Singapore (11)
					Switzerland (24)
Prudential Financial	73	34,401	35,768	116	27
					Barbados (1)
					Bermuda (9)
					Cayman Islands (5)
					Hong Kong (7)
					Ireland (1)
					Luxembourg (1)
					Singapore (3)
Safeway	54	42,286	141	18	4
					Bermuda (1)
					British Virgin Islands (1)
					Hong Kong (1)
					Macao (1)
Sears Holdings	44	50,703	315	2	1
					Bermuda (1)
Sprint Nextel Corporation	57	40,146	142,754	59	7
					Bermuda (1)
					Hong Kong (2)
					Ireland (1)
					Singapore (1)
					Switzerland (2)

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Sunoco	55	42,101	68	11	5 Bermuda (4) Panama (1)
SuperValu	61	37,406	1,520	6	5 Bermuda (4) Cayman Islands (1)
SYSCO Corporation	69	35,042	173,586	31	1 Hong Kong (1)
Target	31	63,367	0	19	8 Bermuda (1) Hong Kong (6) Singapore (1)
Tech Data	99	23,423	0	67	7 Cayman Islands (1) Costa Rica (1) Ireland (1) Luxembourg (1) Netherlands Antilles (1) Switzerland (2)
Time Warner	48	46,615	7,575	48	4 Hong Kong (2) Ireland (1) Luxembourg (1)
Travelers Companies	89	26,017	535	27	6 Bermuda (4) Cayman Islands (1) Singapore (1)
Tyson Foods, Inc.	85	26,900	326,553	41	6 Bermuda (1) Cayman Islands (1) Gibraltar (1) Hong Kong (1) Luxembourg (2)
United Parcel Service, Inc.	45	49,692	140,771	0	0

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
United Technologies Corporation	38	54,759	5,714,807	93	12 Cayman Islands (1) Hong Kong (2) Ireland (1) Luxembourg (4) Singapore (4)
UnitedHealth Group	25	75,431	1,524	54	11 Bermuda (1) Cayman Islands (2) Costa Rica (2) Hong Kong (2) Ireland (2) Mauritius (1) Singapore (1)
Valero Energy Corporation	16	96,758	1,027,334	23	11 Aruba (5) Bermuda (1) British Virgin Islands (3) Cayman Islands (2)
Verizon Communications, Inc.	17	93,775	428,654	0	0
Wachovia Corporation	37	55,528	3,683	105	59 Aruba (1) Barbados (1) Bermuda (18) British Virgin Islands (3) Cayman Islands (16) Guernsey (1) Hong Kong (9) Ireland (2) Mauritius (3) Singapore (2) Turks and Caicos Islands (1) U.S. Virgin Islands (2)
Walgreen	39	53,762	17	4	2 Mauritius (2)
Wal–Mart Stores	1	378,799	173	1	0

Corporation	Rank by revenue	2007 Revenue (dollars in millions)	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and location(s) of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Walt Disney	66	35,882	1,224	15	3
					Hong Kong (2)
					Switzerland (1)
Washington Mutual	92	25,531	556	5	3
					Hong Kong (1)
					Mauritius (1)
					Virgin Islands (1)[b]
WellPoint	32	61,134	72,575	3	1
					Bermuda (1)
Wells Fargo	40	53,593	37,777	34	18
					Barbados (1)
					Cayman Islands (9)
					Hong Kong (4)
					Mauritius (4)

Sources: Fortune 500 list for 2008 (which is based on 2007 revenues), USASpending.gov, Exhibit 21s filed with the Securities and Exchange Commission, and jurisdictions listed as tax havens or financial privacy jurisdictions.

[a]Federal contract obligations are estimates. The actual contract obligations may be greater.

[b]Abbot Laboratories, Delphi, Dow Chemical, MetLife, Pfizer, and Washington Mutual did not differentiate between the U.S. Virgin Islands and the British Virgin Islands. Therefore, for the purpose of this list, they are listed as Virgin Islands.

Appendix III: The 100 Largest Publicly Traded U.S. Federal Contractors

Contractor	Rank by federal contract obligations	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and locations of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
AAR Corporation	79	$196,565	0	0
AECOM Technology	48	417,324	0	0
AeroVironment, Inc.	83	185,261	0	0
Affiliated Computer Services, Inc.	72	218,586	55	7 Barbados (1) Hong Kong (2) Ireland (1) Luxembourg (1) Switzerland (2)
Alliant Techsystems, Inc.	24	1,422,471	0	0
AmerisourceBergen Corporation	21	1,469,378	0	0
Archer-Daniels-Midland Company	78	197,488	6	3 Cayman Islands (2) Ireland (1)
AT&T, Inc.	40	519,233	0	0
BearingPoint, Inc.	38	520,725	106	28 Aruba (2) Barbados (1) Bermuda (11) British Virgin Islands (2) Cayman Islands (2) Costa Rica (1) Jordan (1) Ireland (1) Panama (1) Switzerland (1) Singapore (4) U.S. Virgin Islands (1)
Berkshire Hathaway, Inc.	70	235,394	27	1 Ireland (1)

Contractor	Rank by federal contract obligations	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and locations of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
The Boeing Company	2	23,312,965	135	38
				Bermuda (6)
				Cayman Islands (1)
				Gibraltar (2)
				Hong Kong (4)
				Ireland (4)
				Netherlands Antilles (2)
				Singapore (3)
				U.S. Virgin Islands (16)
CACI International, Inc.	22	1,443,230	1	0
Cardinal Health, Inc.	30	1,039,243	135	23
				Barbados (1)
				Bermuda (2)
				British Virgin Islands (1)
				Cayman Islands (1)
				Hong Kong (1)
				Ireland (5)
				Luxembourg (3)
				Malta (1)
				Mauritius (1)
				Singapore (3)
				Switzerland (4)
Caterpillar, Inc.	89	171,485	331	49
				Barbados (1)
				Bermuda (13)
				Costa Rica (1)
				Guernsey (1)
				Hong Kong (3)
				Ireland (2)
				Luxembourg (3)
				Mauritius (1)
				Panama (3)
				Singapore (8)
				Switzerland (13)
Ceradyne, Inc.	43	463,590	7	2
				Cayman Islands (1)
				Hong Kong (1)

Contractor	Rank by federal contract obligations	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and locations of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Computer Sciences Corporation	10	3,189,701	119	21 Bermuda (1) British Virgin Islands (4) Costa Rica (1) Hong Kong (5) Ireland (2) Luxembourg (2) Macao (1) Singapore (4) Switzerland (1)
Comtech Telecommunications Corporation	62	286,461	1	0
ConAgra Foods, Inc.	97	148,713	2	0
ConocoPhillips	65	267,206	125	44 Bahamas (2) Bermuda (17) British Virgin Islands (2) Cayman Islands (9) Ireland (3) Liberia (5) Luxembourg (2) Marshall Islands (1) Singapore (1) Switzerland (2)
Constellation Energy Group, Inc.	91	166,060	0	0
Cornell Companies, Inc.	63	282,588	0	0
Corrections Corporation of America	46	447,008	2	0
Cubic Corporation	52	359,911	8	1 U.S. Virgin Islands (1)

Contractor	Rank by federal contract obligations	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and locations of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Danaher Corporation	98	147,214	548	72
				Barbados (1)
				Cayman Islands (9)
				Hong Kong (14)
				Ireland (5)
				Luxembourg (4)
				Malta (1)
				Mauritius (2)
				Singapore (13)
				St. Kitts and Nevis (1)
				Switzerland (22)
Dell, Inc.	28	1,132,476	158	29
				Bahrain (1)
				Barbados (1)
				Cayman Islands (4)
				Costa Rica (2)
				Hong Kong (1)
				Ireland (10)
				Lebanon (1)
				Luxembourg (1)
				Panama (1)
				Singapore (5)
				Switzerland (2)
DRS Technologies, Inc.	18	1,795,032	9	0
Eaton Corporation	87	173,671	164	37
				Barbados (2)
				Bermuda (4)
				British Virgin Islands (3)
				Cayman Islands (5)
				Costa Rica (1)
				Hong Kong (4)
				Ireland (1)
				Luxembourg (5)
				Mauritius (4)
				Netherlands Antilles (1)
				Singapore (5)
				Switzerland (2)

Contractor	Rank by federal contract obligations	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and locations of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Electronic Data Systems Corporation	17	2,312,022	137	19
				Bahrain (1)
				Bermuda (1)
				British Virgin Islands (1)
				Cayman Islands (2)
				Costa Rica (1)
				Guernsey (1)
				Hong Kong (1)
				Ireland (1)
				Luxembourg (2)
				Mauritius (2)
				Panama (1)
				Singapore (3)
				Switzerland (2)
Emergent Biosolutions, Inc.	45	448,352	5	1
				Singapore (1)
Exxon Mobil Corporation	32	949,152	122	32
				Bahamas (18)
				Bermuda (1)
				Cayman Islands (3)
				Hong Kong (3)
				Ireland (1)
				Luxembourg (2)
				Singapore (3)
				Switzerland (1)
Flir Systems, Inc.[b]	67	249,658	Unknown	Unknown
Fluor Corporation	20	1,506,242	197	34
				Barbados (2)
				Bermuda (7)
				British Virgin Islands (2)
				Cyprus (2)
				Guernsey (9)
				Ireland (5)
				Liechtenstein (2)
				Mauritius (3)
				Panama (1)
				St. Lucia (1)
Force Protection, Inc.	27	1,139,550	0	0

Contractor	Rank by federal contract obligations	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and locations of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Ford Motor Company	53	358,360	54	2
				Bermuda (1)
				Cayman Islands (1)
General Dynamics Corporation	4	13,905,516	51	5
				Cyprus (1)
				Singapore (1)
				Switzerland (3)
General Electric Company	11	2,780,528	40	7
				Bermuda (3)
				Luxembourg (1)
				Singapore (3)
General Mills, Inc.	81	193,621	171	33
				Aruba (1)
				Bermuda (5)
				British Virgin Islands (2)
				Gibraltar (1)
				Hong Kong (5)
				Lebanon (2)
				Luxembourg (1)
				Mauritius (2)
				Netherlands Antilles (1)
				Panama (1)
				Singapore (4)
				Switzerland (8)
General Motors Corporation	41	517,205	113	11
				Barbados (1)
				Bermuda (2)
				Cayman Islands (4)
				Ireland (1)
				Singapore (1)
				Switzerland (2)

Contractor	Rank by federal contract obligations	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and locations of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Goodrich Corporation	56	326,475	72	17
				Barbados (2)
				Gibraltar (3)
				Hong Kong (1)
				Luxembourg (5)
				Mauritius (1)
				Singapore (4)
				Virgin Islands (1)[c]
The Goodyear Tire & Rubber Company	85	182,072	165	13
				Bermuda (1)
				Ireland (2)
				Luxembourg (6)
				Mauritius (1)
				Singapore (2)
				Switzerland (1)
Great Lakes Dredge & Dock Corporation	68	246,606	0	0
GTSI Corporation	49	399,060	0	0
Harris Corporation	19	1,741,545	71	13
				Bermuda (1)
				Cayman Islands (1)
				Hong Kong (5)
				Mauritius (1)
				Singapore (4)
				U.S. Virgin Islands (1)
Hess Corporation	69	240,500	11	5
				Cayman Islands (4)
				U.S. Virgin Islands (1)
Hewlett-Packard Company	50	374,297	81	14
				Cayman Islands (1)
				Costa Rica (1)
				Hong Kong (1)
				Ireland (3)
				Latvia (1)
				Netherlands Antilles (1)
				Singapore (4)
				Switzerland (2)

Contractor	Rank by federal contract obligations	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and locations of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Honeywell International, Inc.	13	2,491,103	35	7 Bermuda (1) Luxembourg (3) Singapore (1) Switzerland (2)
ICF International, Inc.	92	165,488	7	0
International Business Machines Corporation	23	1,427,788	70	10 Bahamas (1) Barbados (1) Bermuda (1) Costa Rica (1) Hong Kong (1) Ireland (1) Latvia (1) Luxembourg (1) Singapore (1) Switzerland (1)
International Shipholding Corporation	94	162,236	13	11 Bermuda (1) British Virgin Islands (4) Cayman Islands (1) Marshall Islands (2) Panama (1) Singapore (2)
Interpublic Group of Companies, Inc.	44	462,229	120	5 Ireland (1) Luxembourg (1) Mauritius (1) Singapore (1) Switzerland (1)

Contractor	Rank by federal contract obligations	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and locations of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
ITT Corporation	14	2,377,121	170	18
				Barbados (1)
				Bermuda (1)
				Cayman Islands (1)
				Hong Kong (3)
				Ireland (3)
				Luxembourg (5)
				Singapore (2)
				Switzerland (1)
				Virgin Islands (1)[c]
Jacobs Engineering Group, Inc.	29	1,051,891	58	11
				Hong Kong (1)
				Ireland (2)
				Luxembourg (1)
				Singapore (5)
				U.S. Virgin Islands (1)
				Virgin Islands (1)[c]
Johnson & Johnson	90	170,246	175	38
				Hong Kong (2)
				Ireland (16)
				Luxembourg (1)
				Panama (1)
				Singapore (1)
				Switzerland (17)
KBR, Inc.	8	4,794,248	5	0

Contractor	Rank by federal contract obligations	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and locations of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Kraft Foods, Inc.	54	348,708	255	36
				Bahamas (1)
				Bahrain (1)
				British Virgin Islands (2)
				Cayman Islands (1)
				Costa Rica (3)
				Hong Kong (4)
				Ireland (4)
				Latvia (1)
				Liberia (2)
				Luxembourg (2)
				Panama (1)
				Singapore (8)
				Switzerland (6)
L-3 Communications Holdings, Inc.	6	6,636,283	90	15
				Barbados (1)
				Bermuda (1)
				Cayman Islands (1)
				Costa Rica (1)
				Hong Kong (2)
				Ireland (1)
				Singapore (5)
				U.S. Virgin Islands (3)
Lockheed Martin Corporation	1	32,784,881	0	0
Mantech International Corporation	37	546,746	7	1
				Panama (1)
McDermott International, Inc.	77	199,070	5	5
				Panama (5)
McKesson Corporation	9	4,692,110	1	1
				Ireland (1)

Contractor	Rank by federal contract obligations	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and locations of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Merck & Co., Inc.	25	1,418,213	199	44
				Barbados (2)
				Bermuda (14)
				Cyprus (1)
				Hong Kong (3)
				Ireland (7)
				Latvia (1)
				Lebanon (1)
				Luxembourg (2)
				Panama (2)
				Singapore (6)
				Switzerland (5)
Motorola, Inc.	58	321,347	24	4
				Hong Kong (1)
				Singapore (3)
Navistar International Corporation	61	304,016	4	1
				Cayman Islands (1)
NCI, Inc.	75	208,545	0	0
Northrop Grumman Corporation	3	15,991,673	0	0
Olin Corporation	64	271,445	7	1
				Bermuda (1)
Oracle Corporation	93	164,665	297	77
				Barbados (3)
				Bermuda (1)
				British Virgin Islands (1)
				Cayman Islands (5)
				Costa Rica (1)
				Cyprus (1)
				Hong Kong (12)
				Ireland (22)
				Isle of Man (1)
				Jersey (1)
				Luxembourg (6)
				Mauritius (1)
				Netherlands Antilles (1)
				Singapore (16)
				Switzerland (5)

Contractor	Rank by federal contract obligations	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and locations of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Orbital Sciences Corporation	96	158,483	0	0
Oshkosh Truck Corporation	16	2,339,964	52	6
				Barbados (2)
				Cayman Islands (2)
				Hong Kong (1)
				Mauritius (1)
Owens & Minor, Inc.	66	257,284	1	1
				British Virgin Islands (1)
Pepco Holdings, Inc.	71	234,070	0	0
PepsiCo, Inc.	73	218,353	356	70
				Bahamas (1)
				Barbados (1)
				Bermuda (13)
				Cayman Islands (2)
				Costa Rica (2)
				Cyprus (5)
				Gibraltar (1)
				Hong Kong (10)
				Ireland (9)
				Jordan (1)
				Latvia (1)
				Liechtenstein (1)
				Luxembourg (7)
				Mauritius (2)
				Netherlands Antilles (6)
				Panama (1)
				Singapore (1)
				Switzerland (6)
Perot Systems Corporation	60	312,643	38	13
				Bermuda (2)
				Hong Kong (1)
				Ireland (2)
				Luxembourg (1)
				Mauritius (1)
				Singapore (3)
				Switzerland (3)
Point Blank Solutions, Inc.	76	206,202	0	0

Contractor	Rank by federal contract obligations	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and locations of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
The Procter & Gamble Company	59	312,828	581	83
				Barbados (1)
				Belize (1)
				Bermuda (5)
				British Virgin Islands (2)
				Cayman Islands (2)
				Costa Rica (3)
				Hong Kong (10)
				Ireland (11)
				Latvia (1)
				Lebanon (2)
				Liechtenstein (1)
				Luxembourg (6)
				Panama (3)
				Singapore (11)
				Switzerland (24)
Raytheon Company	5	11,793,187	0	0
Res-Care, Inc.	95	160,359	0	0
Rockwell Collins, Inc.	26	1,219,054	20	4
				Bermuda (2)
				Luxembourg (1)
				Singapore (1)
The Shaw Group, Inc.[b]	42	491,729	Unknown	Unknown
SI International, Inc.[b]	82	191,954	Unknown	Unknown
Sprint Nextel Corporation	99	142,754	59	7
				Bermuda (1)
				Hong Kong (2)
				Ireland (1)
				Singapore (1)
				Switzerland (2)
SRA International, Inc.	35	661,871	10	0
Stanley, Inc.	57	321,922	0	0
SYSCO Corporation	88	173,586	31	1
				Hong Kong (1)
Teledyne, Inc.	51	372,709	15	2
				Bermuda (1)
				Singapore (1)

Contractor	Rank by federal contract obligations	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and locations of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Telos Corporation	84	183,777	0	0
Tesoro Corporation	74	210,342	0	0
Tetra Tech, Inc.	36	604,922	6	1 British Virgin Islands (1)
Textron, Inc.	15	2,364,772	98	5 Barbados (1) Singapore (2) Switzerland (2)
Tyson Foods, Inc.	55	326,553	41	6 Bermuda (1) Cayman Islands (1) Gibraltar (1) Hong Kong (1) Luxembourg (2)
Unisys Corporation	33	807,003	3	0
United Parcel Service, Inc.	100	140,771	0	0
United Technologies Corporation	7	5,714,807	93	12 Cayman Islands (1) Hong Kong (2) Ireland (1) Luxembourg (4) Singapore (4)
URS Corporation	12	2,643,385	276	24 Bahrain (2) Bermuda (4) Hong Kong (2) Ireland (2) Jordan (4) Singapore (4) U.S. Virgin Islands (2) Virgin Islands (4)[c]
Valero Energy Corporation	31	1,027,334	23	11 Aruba (5) Bermuda (1) British Virgin Islands (3) Cayman Islands (2)

Contractor	Rank by federal contract obligations	Federal contract obligations for fiscal year 2007 (dollars in thousands)[a]	Number of foreign subsidiaries	Number and locations of subsidiaries in jurisdictions listed as tax havens or financial privacy jurisdictions
Verizon Communications, Inc.	47	428,654	0	0
Viasat, Inc.	80	195,071	5	1 Switzerland (1)
VSE Corporation	34	706,444	0	0
Wyeth-Ayerst International, Inc.	39	519,750	32	4 Ireland (2) Singapore (1) Switzerland (1)
Xerox Corporation	86	179,963	164	33 Barbados (4) Bermuda (8) Hong Kong (1) Ireland (12) Jersey (1) Luxembourg (2) Mauritius (1) Singapore (1) Switzerland (2) Turks and Caicos Islands (1)

Sources: USASpending.gov, Exhibit 21s filed with the SEC, and jurisdictions listed as tax havens or financial privacy jurisdictions.

[a]Federal contract obligations are estimates. The actual contract obligations may be greater.

[b]Flir Systems, Inc. did not list locations for some subsidiaries and The Shaw Group, Inc. and SI International, Inc. did not list locations for any subsidiaries.

[c]Goodrich Corporation, ITT Corporation, Jacobs Engineering Group, Inc., and URS Corporation did not always differentiate between the U.S. Virgin Islands and the British Virgin Islands. Therefore, for the purpose of this list, they are listed as Virgin Islands.

Appendix IV: Comments from the Department of the Treasury

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

Mr. James R. White
Director, Tax Issues
Strategic Issues Team
General Accountability Office
441 G St., NW
Washington, DC 20548

Dear Mr. White:

The Treasury Department takes offshore tax evasion by individuals and corporations very seriously, and has taken strong administrative and regulatory steps to address the problem. In addition, the Treasury Department will continue to expand our tax treaty and tax information exchange agreement network so that the United States can obtain the information about individuals and corporations and the administrative assistance from other countries that the United States needs to enforce its tax laws. In the "Declaration of the Summit on Financial Markets and the World Economy," released on November 15, 2008, the Leaders of the Group of Twenty, which includes the United States, reiterated the need to "continue efforts to promote tax information exchange" and that "[l]ack of transparency and a failure to exchange tax information should be vigorously addressed." The United States has long been a leader in encouraging tax information exchange and greater transparency, and will continue to be so.

We remain concerned, however, about the use of lists of so-called "tax havens." In the draft report entitled "International Taxation: Large U.S. Corporations and Federal Contractors with Subsidiaries in Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions" (GAO-09-157), the Government Accountability Office (GAO) correctly notes that there is no agreed-upon definition of tax haven or list of jurisdictions that should be considered tax havens. Nonetheless, the draft report proceeds to characterize jurisdictions as tax havens by including them on a tax havens list. Although the report asserts that the GAO did not develop its own definition of tax haven or its own list of jurisdictions, the GAO does indeed produce such a list in the draft report, compiled from three other lists.

One list used in the draft report is that released in 2000 by the Organisation for Economic Co-operation and Development (OECD) of jurisdictions that have committed to improving transparency and effective exchange of information for tax matters and jurisdictions that have not made such a commitment. Since that list of jurisdictions was released, however, the vast majority of listed jurisdictions have committed to meeting OECD standards of transparency and effective exchange of information. Moreover, many of the jurisdictions on that 2000 OECD list have signed tax information exchange agreements with the United States. Thus, the 2000 OECD list includes countries from which we can obtain information and that have committed to establishing effective information exchange. Although the draft report acknowledges that the list is outdated, the report surprisingly uses the lack of any "updated" list from the OECD as the rationale for using the out-of-date list.

In addition to using a list produced by the National Bureau of Economic Research (NBER), the GAO also uses an Internal Revenue Service (IRS) "John Doe" summons issued in 2005 to compile its "tax havens" list. Use of the IRS summons is particularly problematic. The IRS summons lists 34 jurisdictions from which the IRS was seeking information about individuals who had signature authority over bank accounts or credit cards issued by, through, or on behalf of financial institutions in those jurisdictions. The list of jurisdictions in that summons was put together for a very specific purpose and was not at all intended to suggest a general list of jurisdictions that the Treasury Department and IRS consider tax havens. Moreover, the specific nature of the John Doe summons – which focused on individual taxpayers – makes use of the list of countries in that summons all the more inapposite since the draft GAO report deals not with individuals but with foreign subsidiaries of U.S. corporations. Because the problems identified in the draft report and the John Doe summons are so different, it is unclear what relevance the list of countries in the John Doe summons has in the context of the report. For those reasons, we requested that the GAO not use the summons list as a source for its tax havens list. Moreover, we are concerned that such use will lead others to believe that the Treasury Department intended the summons list to be a list of tax havens.

Although the Treasury Department appreciates the GAO's efforts to simplify what is a complex area, oversimplification can lead to misunderstandings and mistakes. The lack of a universally accepted list of "tax havens" simply reflects the fact that the term does not have a universally accepted definition. That lack of consensus results from the fact that the different problems presented by so-called tax havens often involve different groups of countries. For example, the list of countries that will not agree to exchange tax information is not co-extensive with the list of countries that do not impose an income tax. Even though coming up with a list of tax haven countries has significant appeal, any list of countries is likely to be under-inclusive as well as over-inclusive, depending on the problem meant to be addressed. Moreover, because any such list is likely to be regarded as a blacklist and may be used as the basis for the imposition of sanctions or other negative measures, such a list may inappropriately negatively affect our economic and other relations with listed countries.

Sincerely,

Michael Mundaca
Deputy Assistant Secretary
(International Tax Affairs)

Appendix V: Comments from the Internal Revenue Service

COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

December 11, 2008

Mr. James R. White
Director, Tax Issues
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. White:

Thank you for providing your draft report, International Taxation: Large U.S. Corporations and Federal Contractors with Subsidiaries Listed as Tax Havens or Financial Privacy Jurisdictions (GAO-09-157). The issues involved in the cross-border arena, including those involving large U.S. corporations and their foreign subsidiaries, are some of the most complex that the Service confronts. I have made international issues like these a top priority for the IRS, in addition to our continued efforts combating offshore tax evasion.

Because the landscape is complex, I welcome the support provided by independent research and analysis that complements our own initiatives in this area. Accordingly, I very much appreciate GAO's work on this report and on this topic more generally.

If the IRS can provide any additional support to your efforts, please contact Barry B. Shott, Deputy Commissioner (International), Large and Mid-Size Business Division at 202-435-5000.

Sincerely,

Douglas H. Shulman

Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

James R. White, (202) 512-9110 or whitej@gao.gov

Acknowledgments

In addition to the contact named above, Jonda Van Pelt, Assistant Director; Joanna Berry; Michele Fejfar; Julia Kennon; Audrey Ruge; Shellee Soliday; A. J. Stephens; and Megan Sullivan made key contributions to this report.

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