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International corporations evading taxes at rate of $122 million per day:

DORGAN RELEASES REPORT THAT FINDS INTERNATIONAL PRICING SCHEMES COST U.S. TREASURY $45 BILLION ANNUALLY

(WASHINGTON, D.C.) - A new report released Tuesday by Senator Byron Dorgan (D-ND) reveals that international corporations operating in the United States may have avoided paying up to $45 billion in federal income taxes in 2000 by using phoney pricing schemes in order to move profits earned in the U.S. to other countries where they would not be subject to U.S. taxes.

The study was conducted by Simon J. Pak, PH.D. and John S. Zdanowicz, PH. D, of the Center for Banking and Financial Institutions at Florida International University in Miami, Florida. The study put the cost to the U.S. Treasury from the pricing schemes at $44.55 billion in 2000. Earlier studies by Pak and Zdanowicz found that the pricing schemes cost U.S. taxpayers $35.7 billion in 1998 and $42.7 billion in 1999.

Every individual taxpayer and company is forced to make up the differences with income taxes that are higher than they would need to be if the international corporations who are avoiding their tax responsibility were paying their fair share, Dorgan said.

Under the scheme used to avoid U.S. taxes, the study found that international corporations moved profits out of the United States and into other countries where they would not be subject to U.S. taxes by frequently and significantly under-pricing goods purchased by their foreign affiliates from their U.S. operations, and over-pricing goods sold to their U.S. operations by foreign affiliates.

Abnormally high priced U.S. imports documented by the study included:

§ Tooth brush.................................................................$ 5,655.00 each
§ Sunflower Seeds..........................................................$ 5,519.00 per kg
§ Flash lights.................................................................$ 5,000.00 each
§ Hypodermic Syringes..................................................$ 2,306.00 each
§ Sawdust.................................................................$ 642.00 per kg
§ Single edge razor blade for shaving...............................$ 461.00 each

Abnormally low priced U.S. exports documented by the study included:

§ Prefabricated buildings...........................................$.82 each
§ Soybeans..............................................................$ 1.58 per ton
§ Single lens reflex cameras........................................$.330 each
§ Diamonds - not industrial.......................................$ 3.08 each
§ Precious metal wrist watches...................................$ 4.00 each
§ Radial bus/truck tires............................................$ 8.46 each
§ Bulldozers.............................................................$ 528.00 each

Dorgan said he included $2 million in the 2002 Treasury-General Government Appropriations bill to expand the study to help determine policies that will allow the Internal Revenue Service to collect taxes due but avoided under such pricing schemes. The legislation has been signed into law by President Bush. Drs. Pak and Zdanowicz will be the Principle Investigators for that study, Dorgan noted, building on their previous work.

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