IN BRIEF / CORPORATE TAXES

U.S. Losing Billions in Revenue, Study Finds

Multinational corporations avoided $45 billion in U.S. taxes last year by artificially fixing prices for transactions with foreign affiliates, according to a study released by Sen. Byron L. Dorgan (D-N.D.).

The companies moved profits out of the United States in two ways: by overpricing goods sold to U.S. operations by foreign affiliates and by underpricing goods purchased by those foreign affiliates, the study found.

This practice, known as transfer pricing, moves income out of the United States and effectively puts company profits out of reach of the Internal Revenue Service. The study by Simon J. Pak and John S. Zdanowicz, finance professors at Florida International University, estimated the 2000 total tax loss at nearly $45 billion.

The companies involved were not identified, but the study did list countries to which income was shifted, led by Canada, $15.8 billion; Japan, $14 billion; Mexico, $9.9 billion; Britain, $8.8 billion; and Germany, $8.3 billion.

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