**Boeing has big tax refund coming from Uncle Sam — again**

Boeing got a $199 million federal tax refund in 2013, and over the past 12 years has accumulated tax refunds of $1.6 billion.

By [Dominic Gates](http://search.nwsource.com/search?searchtype=cq&sort=date&from=ST&byline=Dominic%20Gates) Seattle Times aerospace reporter. Accessed 3/19/14 at: <http://seattletimes.com/html/businesstechnology/2023026545_boeingtaxesxml.html>

Boeing’s tax return for 2013 is complete. Although the aerospace and defense giant booked a profit of $5.9 billion last year, the U.S. government winds up owing the company $199 million.

Boeing can either take that amount as a refund for taxes paid in the past or reduce its future estimated tax payments by that much.

“Every citizen of the state of Washington can proudly say that they pay more taxes than Boeing,” said Bob McIntyre, director of the Washington, D.C.-based tax-policy-research group Citizens for Tax Justice (CTJ).

Boeing’s federal tax rate works out to negative 3.3 percent.

It’s not a one-off event.

Over the past dozen years, during which Boeing reported to its shareholders a total profit of more than $43 billion, the company’s net cumulative refund of federal tax is more than $1.6 billion.

Boeing doesn’t dispute those CTJ figures, which are pulled from company financial filings, although it insists its taxes are simply deferred into the future and will be paid eventually.

Boeing’s recent record of negative taxes hasn’t stopped the company from urging cuts in the corporate-tax structure. On Wednesday, Boeing issued a statement from Chicago welcoming a tax-reform proposal in Congress and said the jet maker “has long supported a simplified tax code that lowers the corporate-tax rate.”

Such calls from the company haven’t always been well received in Congress.

During a 2011 House Ways and Means Committee hearing on tax reform, after Boeing had reported three years of negative taxes, a Congressman incredulously asked James Zrust, Boeing vice president of tax, “How much lower rate do you need?”

Taking all the federal taxes paid, or not paid, since 2002, Boeing’s average federal tax rate is minus 3.8 percent.

McIntyre pulled those eye-popping numbers from a series of CTJ corporate-tax reports, the latest of which was issued last week, [surveying the taxes paid by 288 major U.S. corporations over five years from 2008 through 2012](http://www.ctj.org/corporatetaxdodgers/sorrystateofcorptaxes.php).

A total of 26 publicly traded corporations — including Boeing, General Electric, Verizon and 14 energy companies — paid less than zero taxes over those five years. They all got refunds.

The CTJ data is compiled from the companies’ financial filings with the Securities and Exchange Commission (SEC), which are public.

The “current tax expense” for the year is listed in Boeing’s annual report, broken down by state, federal and overseas taxes. CTJ makes just one small adjustment to factor in a figure listed on a different page in the report, a tax benefit that Boeing gets from stock options exercised in a given year.

Boeing spokesman Chaz Bickers accepts this adjustment as valid and said CTJ’s data is “probably in the ballpark.”

Boeing has had a net refund of federal taxes in five of the last six years.

The exception when it actually paid taxes in those years was 2012, largely because Congress didn’t extend a research-tax credit in time. Later, Boeing was able to book the 2012 credit in 2013. Hence another net refund last year.

How does Boeing do it? McIntyre is cynical.

“They’ve done a good job of persuading Congress that they shouldn’t pay taxes,” he said. “They have a lot of lobbyists around this town. They work hard, and they’ve been successful.”

**Taking the long view**

Company spokesman Bickers offers a different explanation. In the airplane business, you have to take a long view, he cautions.

Boeing books its profits using a method that amortizes its multibillion-dollar investments in new jets over 20-plus years; for example, it averages today’s actual 787 losses against expected future 787 profits.

While the 787 program is projected to continue hemorrhaging money through 2015 at least, after that it’s supposed to creep gradually into the black and to start reducing the accumulated deficit that by then will have reached $25 billion.

Spreading the program’s current losses over future years is the accounting method that allows Boeing to show a profit every quarter.

If losses were instead booked as each jet is built, company figures show, last year’s massive $5.8 billion profit in the Commercial Airplanes division would have flipped to a $1.6 billion loss.

But when the Internal Revenue Service comes calling — the IRS has about 30 staff permanently located at three different Boeing sites to monitor the company’s finances — Boeing doesn’t use this amortized-accounting approach that wows Wall Street every quarter.

The IRS deals with actual money coming in and going out.

As a result, Boeing has two categories in its tax accounting: Tax paid this year. And tax deferred until later.

The latter is the tax it expects to pay when all that real profit rolls in sometime down the road.

In 2013, when Boeing got the refund of $199 million, it also listed deferred federal taxes of $1.53 billion.

Between 2002 and 2013, while Boeing enjoyed the refunds totaling more than $1.6 billion, it deferred taxes totaling $12.2 billion.

As Boeing recoups the initial investment in the 787 by delivering the airplanes over two decades, it says it will pay that money in due time.

“You have to pay the taxes eventually, as you deliver the airplanes,” said Bickers. “We’re paying the taxes that are due now and will pay the taxes that are due as we deliver.”

“In the end, over the period, it all nets out the same,” he said.

When Boeing states, as it does in its recent 10-K, that its effective tax rates in 2012 and 2013 were respectively 26 percent and 34 percent, it’s counting those deferred taxes as well as the taxes actually paid (or not paid) in those years.

McIntyre scoffs at this.

“My personal tax rate is 137 percent, including the taxes I didn’t pay,” he said. “It makes me feel very patriotic.”

**Deferring costs**

CTJ separately calculated Boeing’s payment of state income taxes at its locations around the U.S. It found a cumulative negative tax paid, totaling minus $264 million over the past 12 years.

Washington state doesn’t have a corporate income tax, so that isn’t included in that calculation.

Corporate taxes here are based on gross receipts and so, despite the tax breaks it has been granted, Boeing pays substantial taxes in this state.

In a report compiled for the state last year, economic-analysis firm Community Attributes estimated that in 2012 Boeing paid just over $130 million in Washington state taxes.

In federal taxes, however, Boeing lags even its corporate peers.

The latest CTJ report, covering the years 2008-2012, shows that Boeing — the nation’s second-largest defense contractor with about $22 billion of revenue from government contracts last year — has a distinct tax advantage over other big defense companies.

While Boeing’s federal tax rate over those five years is minus 1 percent, the tax rates of rivals Lockheed Martin, Northrop Grumman and General Dynamics are respectively plus 18.4 percent, plus 24 percent and plus 29 percent.

Clearly, it’s the massive deferral of costs in the accounts on the commercial-jet side of Boeing’s business that produces its sky-high reported profits at a time when its federal tax payments are negative.

Yet, Boeing’s insistence it is only deferring taxes that will be paid later raises the question of when that might happen.

Last year, Boeing delivered 648 jets, an all-time record high, and yet it still had negative federal tax.

And if the taxes paid are supposed to even out over time, how is it that Boeing’s tax payments averaged over 12 years are still in heavily negative territory?

Bickers identifies two events that suppressed Boeing’s taxes during that period.

He attributes much of the big refunds in 2003, 2004 and 2005 to tax relief from the approximately $8 billion that Boeing had to pay into its employee- pension funds following the post-2001 stock-market decline.

Then, from 2007 on, the cost of developing and building up the initial inventory for the 787 and the 747-8 resulted in current year losses — which will likely continue through 2015.

McIntyre doesn’t buy this argument.

“That’s the joy of deferring taxes,” he said. “If you do it over and over, you never have to pay.”

McIntyre says that CTJ will happily note the fact if Boeing eventually pays a bigger tax bill.

“If it happens, we’ll report that they paid them. Unless they have a new project starting, maybe the 797, and they do it again,” McIntyre said.

For 12 years and counting though, he’s still waiting for Boeing’s tax tide to turn.

*Dominic Gates: 206-464-2963 or dgates@seattletimes.com*

**Boeing's cumulative federal tax bill: a big refund**

Over the past dozen years, Boeing has taken credits for research work and deductions for pension funding, while deferring taxes on its jet programs until later years. The result is that from 2002 through last year, the net payment of taxes by Boeing to the federal government is negative: a cumulative refund of $1.65 billion.

|  |
| --- |
|  |
|  | | | |
| **Year** | **Pretax U.S. profit (in millions)** | **Federal income tax paid\*** | **Federal tax rate** |
| 2002 | $2,125 | $ 229 | 10.4% |
| 2003 | $1,037 | $ -1,700 | -159% |
| 2004 | $1,960 | $ -454 | -22.5% |
| 2005 | $2,605 | $ -334 | -12.4% |
| 2006 | $3,067 | $ -134 | -4.2% |
| 2007 | $5,901 | $ 1,141 | 19.8% |
| 2008 | $3,794 | $ -39 | -1% |
| 2009 | $1,638 | $ -136 | -9.1% |
| 2010 | $4,310 | $ -3 | -0.1% |
| 2011 | $5,083 | $ -641 | -12.6% |
| 2012 | $5,647 | $ 620 | 11% |
| 2013 | $5,946 | $ -199 | -3.3% |
| 12 years | $43,113 M | $ -1,649 M | -3.8% |
| *Source: Boeing’s 10-K annual reports. Data compiled by Citizens for Tax Justice.\* The tax paid in millions each year is calculated by taking the “current tax expense” and subtracting a separate tax benefit related to stock options, both as reported by Boeing. Citizens for Tax Justice makes an assumption that 83 percent of the separate tax benefit is federal and the rest state.* | | | |