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From the San Francisco Business Times:

<https://www.bizjournals.com/sanfrancisco/news/2021/04/05/salesforce-one-of-55-large-companies-paid-no-tax.html>

Salesforce among largest U.S. companies that paid no federal income tax in 2020

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Salesforce features prominently as the largest Bay Area entry on a list released April 2 by a tax watchdog of 55 major publicly traded companies that paid no U.S. federal corporate income tax last year. Many, like the San Francisco-based tech giant, got money back.

According to the Institute for Tax and Economic Policy, using numbers such companies are required to publicly disclose in their 10-K filings, Salesforce is due a net refund of \$12 million on its federal taxes for 2020.

What's more, it's not an anomaly for the software-as-a-service pioneer, now San Francisco's largest private employer. Over the last three tax years, during which Salesforce earned \$4.1 billion in U.S. income, it earned an aggregate refund of \$4 million on federal corporate income taxes, ITEP said. That compares with the \$861 million on that sum if it was taxed at the nominal corporate rate of 21%.

Salesforce did not respond to requests for comment.

The Washington, D.C., tax research group is not suggesting that Salesforce (NYSE:CRM), or any of the other companies on the list,



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Salesforce CEO Marc Benioff has espoused a new, more inclusive brand of capitalism, but the company has paid less than zero in federal income taxes over the last three years.

are doing anything illegal in generating a collective net rebate of \$3.5 billion on their 2020 income taxes. Rather, the corporations are simply working the byzantine world of federal deductions, exemptions, credits and other loopholes to their maximum advantage.

In the case of Salesforce, by using unspecified credits, it was able to reduce its taxes by \$125 million last year and more than \$450 million over the last three years, said Matt Gardner, a senior fellow at ITEP who put together portions of the report.

In addition, he said, the company utilized a tax break available to companies that pay part of their executives' or employees' compensation in stock options. That reduced Salesforce's taxes by \$289 million in 2020 and \$582 million over three years combined.

"Those two things go a long way to explain what's going on," with Salesforce's tax bill, Gardner said. "Beyond that, it's hard to tell."

Some provisions of the tax code allow companies to defer taxes but not eliminate them, totals that may not be reflected in tax payments for a particular year. Salesforce's 10-K, for instance, lists \$228 million in deferred federal taxes for fiscal year 2021, which ended Jan. 31, though large negative amounts in deferred taxes from the previous two years would appear to more than offset this.

While ITEP's numbers show that Salesforce has an effective federal income tax rate of -0.1% for the last three years, that's swamped by the tax haul of many other companies on the list, such as Nike (-18%) and Duke Energy (-15.5%).

The company does even better internationally: Salesforce's 10-K explains that changing its international corporate structure in fiscal 2021, and the transfer of assets between foreign affiliates, resulted in a benefit of \$2 billion in foreign deferred taxes.

Advanced Micro Devices (NASDAQ: AMD) and Sanmina-SCI (NASDAQ: SANM) were other Bay Area companies on the list, each with an effective corporate income tax rate of -.1% over the last three years.

While it is totally legal, Salesforce's effective status as a federal income tax freeloader sits somewhat awkwardly with the

company's well-earned reputation for having commitments that go far beyond its bottom line. It has not shied from taking a leading, and sometimes polarizing, role on issues from climate change to LGBTQ equality to San Francisco's homelessness crisis.

Even Gardner allows that the company is an "eloquent voice for corporate social responsibility. It's an interesting juxtaposition."

Much of that reputation is due to co-founder and CEO Marc Benioff, who has espoused a new kind of capitalism, one that recognizes stakeholders rather than solely shareholders.

"Profits are important, but so is society," Benioff said in a 2019 opinion piece in the New York Times. "And if our quest for greater profits leaves our world worse off than before, all we will have taught our children is the power of greed."

To be fair, there was no mention whether that responsibility has anything to do with paying taxes.

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