AT&T Paid No Federal Taxes in 2011; Achieved a $420 Million Taxpayer-Subsidized Refund

In an example of corporate welfare at its finest, AT&T effectively paid no federal taxes in 2011. In fact, thanks to lucrative incentives and corporate subsidies, the telecommunications company walked away with a giant taxpayer-subsidized $420 million refund.

CEO Randall Stephenson was paid a higher salary — $18.7 million — than AT&T paid in taxes last year, and thanks to the Bush era tax cuts, Stephenson kept $1,137,456 more of that money for himself in 2011, according to a **new report** from the Institute for Policy Studies.

How did AT&T actually get *paid* by the Internal Revenue Service when it effectively owed nothing in taxes? The company used new "accelerated depreciation" rules corporate America lobbied hard for over the past five years. While AT&T was slapping usage caps and overlimit fees on its customers ostensibly to help pay for network upgrades, AT&T wrote off the value of those upgrades on its federal taxes, winning turbo-charged tax deductions for every new cell tower, 4G upgrade, and just about everything else AT&T used to enhance its network.

Under the current accelerated depreciation rules, AT&T gets to write off a higher amount during the first few years an asset is acquired. That saved the company $5.2 billion on their 2011 taxes alone.

But for companies like AT&T, considered "capital-intensive" businesses, it is only the beginning. The Institute reports even greater savings will likely show up in AT&T's future annual reports. In 2011, Congress expanded depreciation rules and allowed businesses to deduct ***the entire cost*** of new long-term investment purchases. Although billed as an anti-recession move, such tax breaks often result in taxpayers bearing a substantial portion of the cost of investments firms would have made anyway.

AT&T was also not hurt too badly by its aborted attempt to acquire Deutsche Telekom's T-Mobile USA. The phone giant ultimately had to pay a deal breakup fee worth $3 billion in cash and $1 billion worth of wireless spectrum to the German phone company. AT&T wrote off those on their taxes, too, helping the company not only get their tax liability down to zero, it helped win them a taxpayer-subsidized refund.

Stephenson's disastrous failed deal to acquire AT&T's smaller rival did not hurt him too much either, although some under him quickly took early retirement after the deal fell apart. Ultimately, AT&T's Board of Directors sent him a message he could afford to ignore — a salary cut of just $2 million — less than 10 percent of Stephenson's pay package. But with the Bush era tax cuts softening the blow, that slap on his salary really only cost him $862,544.

The Institute's larger point is that tax cuts and general corporate tax policy has now moved well beyond “lower taxes” and has now increasingly shifted to providing taxpayer-financed subsidies and corporate welfare to corporations earning record profits while the United States continues to rack up enormous deficits. CEO pay also continues to flourish, only enhanced further with the added financial benefits of a temporary Bush Administration tax cut that is long beyond its intended expiration date.