UNPAID BILLS:

How Verizon Shortchanges Government Through Tax Dodging and Subsidies

BY CITIZENS FOR TAX JUSTICE AND GOOD JOBS FIRST

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EXECUTIVE SUMMARY

With more than $100 billion in annual revenues and nearly $15 billion in operating profits, Verizon Communications is a large and prosperous company that should pay a substantial amount in taxes to federal, state and local governments.

However, an analysis of the available information shows that Verizon has found ways to get around its obligations and pay dramatically less than it should. At the federal level it has even managed in some recent years to use tax avoidance techniques to bring its income tax rate down to a negative level, meaning that it gets rebate payments from the Treasury. At the state level, Verizon has been paying an effective rate far below the norm and last year brought its overall rate into negative territory.

On top of these aggressive tax avoidance maneuvers, Verizon and its subsidiary Verizon Wireless have frequently received economic development subsidies from state and local governments when opening new facilities. The companies also often challenge the assessed value of their facilities in order to lower property tax payments.

All in all, Verizon is one of the country's most aggressive corporate tax dodgers. This report will show the following:

- Verizon enjoyed some $14 billion in federal and state corporate income tax subsidies in the 2008-2010 period even though it earned $33.4 billion in pre-tax U.S. income during that time.
- At the federal level, Verizon should have paid about $11.4 billion at the statutory rate of 35 percent during the three-year period. Instead, it got $951 million in rebates, putting its federal tax subsidies at $12.3 billion. Its effective federal tax rate was -2.9 percent.

- At the state level, Verizon should have paid about $2.3 billion in corporate income taxes during the period but it handed over only $866 million. Its aggregate state rate was only 2.6 percent, far below the weighted state average rate of 6.8 percent. This gave it state tax subsidies of about $1.4 billion.
- Verizon also used a special tax loophole called the Reverse Morris Trust to avoid paying about $1.5 billion in federal and state and local taxes on the sale of its landline assets in various states.
- Verizon also aggressively seeks state and local tax subsidies through credits, abatements and exemptions. There is no centralized reporting on these subsidies but in this report we document $180 million in special tax breaks and grants Verizon and Verizon Wireless received in 13 states:

Alabama	$17.3 million
Arkansas	$1.0 million
Maryland	$1.7 million
Nebraska	$3.0 million
New Jersey	$113.0 million
New Mexico	$12.8 million
North Carolina	$8.5 million
Ohio	$6.5 million
Pennsylvania	$3.4 million
South Carolina	$6.5 million
Tennessee	$6.0 million
Texas	$0.3 million
Utah	$0.75 million
TOTAL	**$180.8 million**

Many of the subsidy awards in the 13 states went to non-union Verizon Wireless, and the jobs created at the subsidized facilities were often low-paying. The wireless company, for instance, received subsidies for a new call center in North Carolina with starting pay as low as $25,000 a year.

Verizon and Verizon Wireless also seek to reduce their local tax payments through property tax assessment challenges. For example, in Delaware's New Castle County it used the appeals process to reduce its tax bill by $700,000 for a two-year period, causing financial problems for the county's schools.

In Massachusetts, Verizon filed appeals in hundreds of communities concerning the value not only of its buildings but also telephone poles and other equipment. After Verizon lost a dispute over the taxation of poles and wires over public ways it imposed a surcharge on its customers to make up for the additional tax it had to pay.

Through the use of all these techniques—tax code maneuvers, subsidy seeking and property tax assessment appeals—Verizon has deprived governments of billions of dollars.

Whatever savings have come from this tax dodging have not been used to invest in the company or its workforce. Verizon has been eliminating jobs and investing less. During the past three years, the total number of employees at Verizon has fallen by more than 40,000 and the company's capital expenditures have declined by $1 billion. Nor did these subsidies lead to higher compensation for Verizon's employees — the company is demanding more than $1 billion in wage and benefit concessions from its 45,000 union-represented workers.

One number that hasn't fallen is the total compensation received by Verizon's chairman (and, until recently, chief executive) Ivan Seidenberg. Last year his total compensation, including the value realized upon the vesting of stock awards, soared to more than $48 million. Lowell McAdam, the new CEO, received more than $12 million in total compensation last year as president and chief operating officer.

Verizon clearly knows how to take care of its top executives, but it has a lot to learn about fulfilling its obligations as a corporate "citizen." By failing to pay its fair share of federal, state and local taxes, Verizon is putting a bigger burden on other taxpayers and creating greater strains on government during a time of fiscal distress.

INTRODUCTION

During the recent strike by its unionized workers, Verizon Communications ran full-page ads in major newspapers defending its aggressive contract bargaining position. Featuring blaring headlines in red ink, they sought to give the impression that the company rather than the strikers had the best interests of the public at heart.

Verizon turns out to be a lot less concerned about the public interest when it comes to paying federal, state and local taxes. Showing little regard for the public functions that depend on those revenues, the company has instead done everything in its power to minimize its contribution to the costs of government. Verizon has taken this so far that in some cases it gets back more than it pays—in the form of tax rebates and subsidy payments.

Verizon is one of the country's largest tax dodgers. As this report will show, Verizon obtained federal and state income tax subsidies of about $14 billion from 2008 to 2010.

At the federal level, despite posting more than $33 billion in U.S. pre-tax profits in the past three years, the company has arranged its tax affairs so that it has received net payments from the Treasury of nearly $1 billion. It has also used a tax gimmick known as a "Reverse Morris Trust" to avoid more than $1.5 billion in taxes while selling off parts of its landline business.

Verizon also goes to great lengths to keep its state and local tax payments as low as possible. During the past three years it has paid a nationwide state income tax rate of less than 3 percent and has received more than $1 billion in state tax subsidies.

While these federal and state tax subsidies are good for Verizon, they're bad for the rest of the taxpaying public. When the federal and state governments collect $14 billion less in tax revenues from Verizon, the result is less spending on critical government services, a higher public debt load, and higher taxes for others.

Along with manipulation of state revenue rules, Verizon minimizes its tax payments by seeking economic development subsidy deals when it opens or expands data centers and other facilities. Over the past decade, the company has been awarded more than $180 million in such subsidies, which include state corporate income tax credits, property tax abatements and sales tax exemptions as well as outright cash grants. The number would have been much higher if Verizon had not cancelled plans for a data center in upstate New York for which it had been promised subsidies worth more than $600 million.

Verizon compounds the effects of these subsidies by frequently challenging the assessed value of its facilities in order to lower its property tax payments.

Some argue that tax and economic development subsidies are important for job creation and economic growth. But these massive subsidies to Verizon over the past three years did not lead to higher employment — the company shed 40,600 jobs during this period. Or to higher investment — the company decreased capital expenditures by $1 billion. Nor did these subsidies lead to higher compensation for Verizon's employees — the company is demanding more than $1 billion in wage and benefit concessions from its 45,000 union-represented workers.

In the sections that follow, Citizens for Tax Justice and Good Jobs First document the ways in which Verizon avoids paying its fair share of the costs of public services and thereby increases the tax liabilities of its customers and everyone else.

FEDERAL AND STATE TAX DODGING

"I like to pay taxes," Supreme Court Justice Oliver Wendell Holmes Jr. famously said. "With them I buy civilization." Verizon Communications, on the other hand, works hard to make sure it pays for as little of our civilization as possible. In the past three-year period, Verizon has paid no federal income tax despite reporting U.S. profits of $33.4 billion dollars. The company paid only a third of the state income taxes it would be expected to owe on that amount of income. The company plans aggressively to minimize its federal and state income tax obligations, using techniques like "reverse Morris trusts" to avoid paying tax on the sale of assets. It also lobbies hard for its tax breaks. In 2010 alone, Verizon spent almost $17 million on lobbying expenses, some portion of which was on tax issues, and it is in Open Secrets' top 100 "Heavy Hitters" list for contributions to federal elections.

In the three years 2008 — 2010, Verizon reported to its shareholders total worldwide income before taxes of almost $36 billion dollars. Verizon disclosed in its financial statements that $33.4 billion of that income was earned in the U.S. Because the U.S. corporate income tax rate is 35%, the expected federal income tax on that income would be about $11.4 billion. How much federal income tax did Verizon actually pay during those three years? A ***negative*** $1 billion.

Over the three-year period, Verizon's effective federal income tax rate averages a negative 2.9%.

Here are the numbers by year:

Verizon Communictions Inc. Current Federal Income Tax Effective Rates ($ Millions)				
	2010	2009	2008	3-Year Total
Worldwide Income Before Income Taxes	$ 12,684	$ 13,520	$ 9,759	$ 35,963
Reported U.S. Income Before Income Taxes	11,921	12,625	8,838	33,384
Less Current State Income Tax Expense	−42	364	544	866
	11,963	12,261	8,294	32,518
Current Federal Income Tax Expense	– 705	– 611	– 365	– 951
Effective Current Federal Income Tax Rate	**– 5.9%**	**– 5.0%**	**4.4%**	**– 2.9%**

Note: In its 2010 report, the company changed its accounting method for pensions, and retroactively restated its pretax profits for 2009 and 2008. The restatement had little effect for 2009. For 2008, our report uses the actual profits reported in the company's 2008 report.

All of the numbers in this report are taken from the company's annual Form 10-K filings with the Securities and Exchange Commission which are certified by the company management.

In effect, Verizon received $12.3 billion in federal tax subsidies, most of which is from accelerated tax write-offs of property, plant, and equipment that the federal corporate tax code provides.

Another way Verizon has significantly reduced its tax bill is through the use of "Reverse Morris Trust" transactions. This tax shelter technique allows the company to spin off assets it wants to sell into a separate company which is then merged into the buying company. Before the new subsidiary and the buyer are merged, Verizon loads the subsidiary up with debt and arranges for the subsidiary to pay a big dividend back to the parent company. Because the transaction is structured as a spinoff and merger (and Verizon shareholders end up owning a majority of stock in the buyer) instead of an outright sale of the assets, it qualifies as a tax-free transaction.

The result: Verizon gets a big chunk of cash without paying any income tax on the deal. In 2010, the company used this technique to sell telephone landlines and local exchange business to Frontier Communications. Verizon received $3.3 billion in the deal. The company previously used this transaction in the 2008 sale of rural New England assets to FairPoint Communications and received $1.4 billion tax-free. We estimate the federal and state income taxes avoided in these two transactions at more than $1.5 billion.

Legislation to end this tax-dodging scheme was passed by the U.S. House of Representatives in March 2010. The bill never made it to the Senate floor, no doubt due in part to heavy lobbying efforts by the big companies that use this technique.

Verizon didn't pay much in state income taxes either. The weighted average state corporate income tax rate in the U.S. is 6.8%. So we'd expect Verizon's state income tax expense for those three years to be about $2.3 billion. What did it actually pay? About a third of that—only $866 million, meaning that it received aggregate state tax subsidies of about $1.4 billion.

Here are the state numbers by year:

Verizon Communictions Inc.
Current State Income Tax Effective Rates
($ Millions)

	2010	2009	2008	3-Year Total
Worldwide Income Before Income Taxes	$12,684	$13,520	$9,759	$35,963
Reported U.S. Income Before Income Taxes	11,921	12,625	8,838	33,384
Current State Income Tax Expense	– 42	364	544	866
Effective Current State Income Tax Rate	**– 0.4%**	**2.9%**	**6.2%**	**2.6%**

On its "2011 Bargaining Information" web page, Verizon claims that its 2010 tax bill was $2.5 billion on total income of $12.7 billion and that its 2009 tax bill was $1.9 billion on total income of $13.5 billion.

On its Statement of Income, the company does indeed report income tax expenses of $2.5 billion for 2010. The detail disclosed in the tax footnote, however, shows that this included both *current worldwide* tax expense of $-766 million and *deferred worldwide* tax expense of $3.2 billion. The deferred expense is the amount of taxes the company expects to pay in the future on its 2010 income. The actual amount of tax paid on its $12.7 billion in income was $-766 million. In the future, the company may or may not actually pay the amount of deferred taxes that it has charged against income. But when it does, the expense will show up in the *current* section of the tax provision. For the purposes of our analysis, we consider only the current amount.

Notably, approximately $1.0 billion of the deferred tax expense for 2010 is a "one-time, non-cash" income tax charge resulting from a tax law change included in the 2009 healthcare legislation. As a result of that change, Verizon can no longer deduct expenses for retiree prescription drug coverage when those expenses are reimbursed by the federal government. Prior to this change, Verizon got a non-taxable subsidy for a substantial portion of its Medicare retiree drug costs but was still entitled to deduct the full cost of the drug plans, resulting in a double deduction to the extent of the subsidy. The company has taken full advantage of this windfall for several years. In addition, Verizon has received $91.7 million in tax-free subsidies from the Early Retiree Reinsurance Program.

Here are the details of the company's tax expense:

Verizon Communictions Inc. Income Tax Expense ($ Millions)		
	2010	2009
Current		
Federal	– $ 705	– $ 611
Foreign	– 19	73
State and Local	– 42	364
Total Current Income Tax Expense	– 766	– 174
Deferred		
Federal	2,945	1,616
Foreign	– 24	– 35
State and Local	316	518
Total Deffered Income Tax Expense	3,237	2,099
Investment tax credits	– 4	– 6
Total Income Tax Expense (Benefit)	$ 2,467	$ 1,919

In its financial statement footnotes, Verizon reports that it paid $1.8 billion in cash income tax payments over those three years. Most of that was foreign and state income tax as shown in the company's current tax expense. And the cash payments reported in the financial statements don't reflect the refunds for 2010 returns. The company had not yet received its federal income tax refund for 2010, since the tax return isn't filed until after the year end, usually not until September of the following year.

Over time, the current tax expense and the cash taxes paid should be roughly equal. That's what the company is really paying in tax.

The company also claims that over the past five years it has paid $7.5 billion in income taxes. That's true—but that includes federal, state, and foreign taxes. And over that period the company made $47 billion in U.S. profits. It actually paid only $3.9 billion in federal income taxes, for an effective 5-year U.S. federal income tax rate of a ***measly 8.5%***, less than one-fourth of the statutory 35% rate.

Verizon Communictions Inc. Reported Current Income Tax Expense and Actual Cash Payments ($ Millions)						
	2010	2009	2008	2007	2006	5-Year Total
U.S. Income after State Income Tax Expense	$ 11,963	$ 12,261	$ 8,294	$ 7,963	$ 6,579	$ 47,060
Current Federal Income Tax Expense	– 705	– 611	365	2,568	2,364	3,981
Current State Income Tax Expense	– 42	364	544	545	421	1,832
Current Foreign Income Tax Expense	– 19	73	240	461	141	896
Total Current Income Tax Expense	– $ 766	– $ 174	$ 1,149	$ 3,574	$ 2,926	$ 6,709
Cash Income Tax Paid	430	158	1,206	2,491	3,299	7,584

Verizon also claims that it "complies with all tax laws and pays its fair share of taxes." While we cannot comment on the company's compliance, we're pretty sure it's not paying its fair share.

SUBSIDY SEEKING

Apart from the tax avoidance maneuvers described above, Verizon Communications and its Verizon Wireless subsidiary have managed to further reduce their state and local tax payments by seeking economic development incentive deals in connection with their data centers, call centers and other facilities. In some cases these subsidies come in the form of grants rather than tax benefits.

These subsidies reduce Verizon's costs when opening new facilities but put burdens on the communities in which they are located. When Verizon receives a property tax abatement, for instance, that takes money out of the revenue available for schools. The locality is forced to either cut its education budget or raise the rate paid by other taxpayers. Another issue is the quality of the jobs that the company creates at the facilities receiving the subsidies. Many of those facilities are operated by non-union Verizon Wireless, and the jobs are often low-paying. The new positions will thus do less to boost the local economy.

Unfortunately, there is no comprehensive centralized source of economic development subsidies, and companies are not required to report what they are receiving. Good Jobs First used a variety of sources to identify some of the more significant subsidy deals Verizon has received around the country over the past decade.

NEW YORK

The largest economic development subsidy deal ever negotiated by Verizon, projected to be worth some $600 million, was for a data center in upstate New York. The plan was ultimately cancelled, but its history is worth recounting to show how the company operates.

In September 2010 Verizon let it be known that it was considering building a data center employing up to 200 workers at a site in the small town of Somerset, New York, located in Niagara County not far from Buffalo and Niagara Falls. At the same time, the company indicated that the plan could be derailed by a bill being considered by the state legislature that would have required telephone companies to make payments to the state if they sold off any of their older properties in New York.[1]

Verizon, claiming that it planned to invest more than $4 billion on the data center and adjacent structures, asked local officials for a 20-year property tax abatement and an exemption from paying sales tax on materials used to construct and equip the facilities. Also on its wish list was low-cost hydroelectric power from the New York Power Authority.

The company, which was probably the source of reports that it was considering another site in Wyoming, got what it wanted. The power authority allocated it 25 megawatts of cheap electricity, and the county's industrial development agency approved the property and sales tax breaks.[2] The *Buffalo News* reported that the discounted power would save Verizon an estimated $96 million over 15 years, and the tax benefits would be worth approximately $518 million over 20 years.[3] Verizon had gotten the job-hungry region to agree to subsidize its project to the tune of some $614 million—or more than $3 million for each of the permanent jobs that were to be created.

Nonetheless, the company insisted that the project's fate still depended on what the legislature did about the bill concerning the sale of property dating back to the time phone companies were regulated monopolies (it stalled in the legislature). At the same time, a lawsuit was filed by a local landowner challenging the zoning variances and subsidies being offered to Verizon. It also questioned the adequacy of the environmental review performed on the project.

In March 2011 Verizon pulled the plug on the Somerset data center project. The lawsuit was apparently a factor in the decision, but perhaps more significant was the fact that Verizon had announced the acquisition of a company called Terremark, which operates more than a dozen data centers. The deal gave Verizon extensive new data center capacity and probably made the Somerset project unnecessary.

At least some of Terremark's U.S. facilities had received their own subsidies. Its data center in Culpepper, Virginia, for instance, received a $1 million grant from the Governor's Opportunity Fund and $3 million in local tax breaks from the county.[4]

NEW JERSEY

The state where Verizon has been most successful in collecting subsidies is New Jersey. The Garden State's biggest and most expensive economic development giveaway is the Business Employment Incentive Program (BEIP), which provides grants based on state income taxes paid by new employees of the recipient company. It can be worth up to 80 percent of those tax revenues annually for a period of up to ten years. Verizon has received multiple BEIP awards, including one of the largest ever approved by the state Economic Development Authority (EDA).

Verizon Communications Inc.'s first BEIP grant was awarded in 1998 for the creation/retention of 571 jobs in Union Township. The firm was approved for up to $799,400 in personal income taxes diverted from its employees, but it earned just $367,107 of that award, possibly owing to the low salaries (and therefore low income tax revenues) of those employees (the average annual wage of those jobs was just $24,452).[5] This BEIP contract has ended.

In 2002, a Verizon New Jersey Inc. and Verizon Services Corp. facility in Hamilton Township was approved for $1,687,500 in BEIP grants for the creation of 110 jobs. As of August 2011, the company has received $499,500 of this award, which will continue to be disbursed for another year based on its 10-year contract with the EDA. The average annual wage of new employees at this location is $43,000.[6]

In 2003, Verizon New Jersey Inc. and Verizon Services Corp. were awarded a BEIP grant of up to $556,010 for an estimated 160 new jobs in Ewing Township. As of August 2011, the facility boasts only 124 jobs and has earned just $114,500 of that BEIP award. The average annual wage of Verizon's Ewing Township jobs is $33,500.[7]

Three large subsidies were awarded to Verizon in 2005 for the creation of a corporate campus in Basking Ridge, New Jersey. Media reports on the number of jobs and value of the subsidies vary, but the EDA reports the total potential value of the BEIP grant to be $87.8 million over a ten-year period for the relocation of 1,257 jobs to the state.[8] This figure represents the second-largest BEIP grant approved by the EDA since the program's inception. Through the end of July 2011, Verizon has been granted $43,142,069 of its total approved BEIP award.[9]

Two other types of subsidies were provided to Verizon in 2005 for this deal. A $1,155,000 Business Retention and Relocation Assistance Grant, a corporate tax credit provided by the state to businesses considering moving jobs out of state, was provided to the firm for the relocation of 770 jobs in-state. The company was also awarded a Sales and Use Tax Exemption by the state worth $1,296,000.[10] The exorbitant value of this relocation deal was criticized by New Jersey Policy Perspective, a tax and budget watchdog organization, in its May 2005 report *Telecom Giant Dials "M" for Money and New Jersey Picks Up the Charges*.[11]

Just three years after being approved for close to $100 million in subsidies from the state for the Basking Ridge deal, Verizon applied for and received approval for a $20 million Urban Transit Hub Tax Credit. The company intended to consolidate its call center jobs in the state in Newark. The facility was sold to a realty company by Verizon, and Verizon planned to lease the space back to house 712 employees. As of August 2011, this project is listed as "Inactive" by the EDA and none of the $20 million in tax credits have been claimed by the company.[12]

Total potential value of approved subsidies in New Jersey: $113 million.

Apart from the aborted deal in New York, no state has come close to New Jersey in the amount of subsidies awarded to Verizon. But the numbers are far from trivial. Here are summaries of Verizon's subsidies in a dozen other states.

ALABAMA

In 2006, city, state and economic development officials in Alabama provided Verizon Wireless with a subsidy package worth up to $17 million to build a state headquarters and call center in Huntsville. The package included up to $15 million in tax credits.[13] The state also offered about $1 million in job training funds through the Alabama Industrial Development Training program.[14] The company was also reimbursed $1.25 million for its land acquisition costs.

Total estimated subsidy value in Alabama: $17.3 million.

ARKANSAS

After acquiring Alltel Corporation in 2009, Verizon Wireless announced plans to eliminate hundreds of Alltel's employees in Arkansas. Despite the downsizing, Verizon Wireless obtained economic development subsidies from the state. It collected $1 million from the Governor's Quick Action Fund, a program designed to enable Arkansas to "compete with other states to attract new business and economic development to the state or to retain existing business in the state."[15] The company is also eligible for an undetermined amount of subsidies from the InvestArk program, a sales and use tax credit program.[16]

Total estimated subsidy value in Arkansas: more than $1 million.

MARYLAND

In 2001, Verizon Advanced Data, Inc. opened a new data engineering center in Baltimore which consolidated three operations that had been located in Albany, New York, Tampa, Florida, and Dallas, Texas.[17] The state of Maryland awarded the company up to $400,000 in state tax credits tied to job creation.

In 2005, Verizon Wireless built a $22 million customer service center in Hanover, Maryland, relocating 500 employees from a nearby Laurel, Maryland facility, and promising 300 new hires.[18] The state and Howard County put together an economic development package worth up to $1 million including property tax credits and job-training grants.

In 2005, Verizon Communications, Inc. was also certified to receive $159,561 in Research and Development Tax Credits.[19] In 2007, the company was certified to receive $135,525 in Research and Development Tax Credits.[20] The state disclosure filings do not specify which Verizon facility within Maryland was eligible to receive these credits, but because the Baltimore facility is an engineering facility, it is the facility most likely to have received the credits. R & D tax credits are also usually taken each year for a number of years, so our estimates are conservative.

Total estimated subsidy value in Maryland: $1.7 million.

NEBRASKA

In 2006, Verizon Wireless announced plans for a $27.5 million, 112,800 square-foot call center in Lincoln.[21] The call center was expected to house more than 800 employees, paying as little as $26,000 a year in base salary. Verizon Wireless received several state and local subsidies through Nebraska Advantage, a program that provides a combination of investment credits, wage credits, sales tax refunds, and other forms of financial assistance.[22] According to the *2010 Annual Report to the Nebraska Legislature*, Verizon Wireless used $993,440 in subsidies from the program in 2010.[23] In addition to qualifying for Nebraska Advantage, the company also benefited from a tax-increment financing deal reportedly worth $2 million.[24]

Total estimated subsidy value in Nebraska: $3 million.

NEW MEXICO

Verizon Wireless operates a large call and data center in southwest Albuquerque that employs approximately 1,700 workers. Ongoing expansions of the company have been subsidized by Bernalillo County's Industrial Revenue Bond (IRB) program, a method by which the county can provide tax abatements. A 2006 deal in which the county issued $20 million in IRBs will result in an estimated $9.7 million in property tax abatements over the 30-year life of the bonds.[25]

In 2005, Verizon also received $2 million in job training grants through the state's Job Training Incentive Program for the creation of 264 jobs.[26] In 2007 the company received another JTIP award for $1,050,000 for an additional 252 jobs.[27] New jobs at the call center were expected to pay between $30,000 and $40,000.[28]

Total estimated subsidy value in New Mexico: $12.8 million.

NORTH CAROLINA

From 2004 to 2005, Verizon Wireless consolidated and relocated two call center facilities in Morristown, New Jersey and Orangeburg, New York to Wilmington, North Carolina and Charleston, South Carolina.[29] The state of North Carolina awarded Verizon as much as $7.2 million in Job Development Investment Grants (JDIG) for employing 1,211 workers, while the city of Wilmington threw in an estimated $1.3 million in subsidies.[30]

Verizon's subsidy agreement with the state allows it to keep as much as 45 percent of worker's personal income taxes, normally paid to the state, over the ten years that the deal lasts. JDIG awards are not subject to recapture, because they are performance based. However, a company failing to meet agreed upon standards can be subject to rescission or recalibration of subsidies.[31]

An investigation by the *Carolina Journal* revealed that state officials might have violated state laws by awarding the subsidies even though the company had already decided to move to North Carolina. JDIG is only supposed to be used in situations where the company will not locate without subsidies. By the time the company was awarded JDIG, it had already begun construction on the $29 million facility.

The closure of facilities in New York and New Jersey were estimated to have affected 1,700 workers. Jobs at the new facility are purported to start at $25,000. As of 2010, approximately 1,200 workers are reportedly working at the call center.

Total estimated subsidy value in North Carolina: $8.5 million.

OHIO

In 2008, Verizon Wireless received $3.4 million in subsidies from the city of Hilliard for relocating 500 call center jobs there—200 from the neighboring city of Dublin and the rest from outside the state. The local subsidy consisted of a property tax abatement estimated to be worth $2 million[32] and a grant worth 15 percent of the income taxes generated by the call center jobs.[33] The state also approved a 40 percent, five year tax credit valued at $380,140.[34]

In a November 2008 deal connected to the Hilliard relocation from Dublin, the state Tax Credit Authority approved a five-year, 40-percent tax credit worth up to $253,000 over five years to encourage the Verizon Wireless cellular telephone company to replace 200 Dublin jobs it planned to move to Hilliard.[35]

Verizon Wireless has also enjoyed subsidies in the form of property tax abatements and grants for its facility in Twinsburg, Ohio since 2009.[36] The data center is located in a Community Reinvestment Area, which entitles it to a property tax abatement of up to 100 percent on expansions.[37] Twinsburg approved this subsidy for 12 years for the data center, as well as providing an additional annual grant worth 30 percent of city income taxes paid by the 29 new employees at the site for ten years.[38] The total value of abated property taxes for the data center is $196,000 annually, or $2,352,000 over 12 years.[39] Good Jobs First estimates the value of the municipal income tax subsidy to be $86,000 over its ten-year duration.[40]

Total estimated subsidy value in Ohio: $6.5 million.

PENNSYLVANIA

Verizon has received three sets of major subsidies from the state of Pennsylvania. The first—and largest—award was provided to Verizon Wireless in 2002 for the relocation of 200 customer service jobs from its regional headquarters in Marshall, Pennsylvania (along with 300 new workers) to a call center in Cranberry.[41] The award, which totaled $2,028,000, was composed of a $750,000 Opportunity Grant, corporate income tax credits worth $728,000, and a job training grant valued at $550,000.

Five years later, Verizon received another subsidy to move 250 customer service jobs from Cranberry back to Marshall and create 50 more jobs there.[42] This subsidy—also composed of an Opportunity Grant ($350,000), Job Creation Tax Credits ($676,000), and a Customized Job Training grant ($250,000)—was valued at $1,276,000. Two of these awards were subjected to partial clawbacks by the state. Pennsylvania recaptured $60,000 of the Job Creation Tax Credit award and $20,020 of the Opportunity Grant from the company because it created just 229 jobs.[43]

Verizon was also the beneficiary of a job training grant worth $100,000 in 2004 for a facility in Allegheny County. [44] The company has also received job training funds worth $47,470 through the state's Workforce and Economic Development Network between 2002 and 2005.[45]

Total estimated subsidy value in Pennsylvania: $3.4 million.

SOUTH CAROLINA

As noted in the North Carolina section above, from 2004 to 2005 Verizon Wireless consolidated and relocated two call center facilities in Morristown, New Jersey and Orangeburg, New York to Wilmington, North Carolina and Charleston, South Carolina. Amid a bidding war, South Carolina won its portion of the deal by offering a subsidy package worth more than $6 million.[46]

About $4.2 million of the incentives are sourced from Job Development Tax Credits.[47] These credits derive from the personal income tax withheld from the pay of the recipient company's workers. Another $2.1 million of the package included the state's Job Tax Credit, which allows a $2,500 credit for each full-time employee.[48] Charleston County also contributed incentives including a reduced personal property tax rate and a $200,000 rebate.

Total estimated subsidy value in South Carolina: $6.5 million.

TENNESSEE

In 2003, Verizon Wireless agreed to open a $24 million call center in Murfreesboro, intending to hire 400 workers immediately and an additional 850 by the end of 2005. As part of the deal, the state legislature passed and Gov. Phil Bredesen signed legislation that revised the requirements for two statewide economic development subsidy programs so that Verizon Wireless would qualify. The first program, the Jobs Tax Credit program, promised to provide $2,000 for each new full time job created.[49] The second program, the Industrial Machinery Tax Credit, provided an unspecified credit against the company's excise taxes based on a percentage of the purchase price of qualified industrial machinery.[50]

In 2007, Verizon Wireless announced plans to build a $54 million headquarters building in Franklin, a suburb of Nashville. The company qualified for over $5 million in subsidies from both state and county/local governments. Under the state's Headquarters Tax Credit program, Verizon Wireless became eligible for a jobs tax credit valued at $2 million and an additional $2.5 million in sales and use tax credits for qualified investments in furniture, fixtures, and construction.[51] The company also received an $88,000 tax break from the city of Franklin and $414,120 in tax abatements from Williamson County.[52]

Total estimated subsidy value in Tennessee: about $6 million.

TEXAS

In 2001, Verizon Wireless located employees from facilities in Arlington and Westlake in Texas to a facility in Southlake, Texas near an existing Verizon regional headquarters.[53] Although Verizon already employed 1,000 workers in a nearby office park, it asked for $276,500 in property tax subsidies lasting four years from the city in exchange for creating 400 new jobs. Although a few residents objected, the council approved the subsidies unanimously.[54] An assortment of administrative and impact fees were also waived.

Total estimated subsidy value in Texas: $300,000.

UTAH

In 2001, the Utah Board of Business and Economic Development approved Verizon Wireless for up to $750,000 in Industrial Assistance Funds (IAF) to open a call center expected to employ up to 850 workers. Under the IAF program, Verizon was to receive $1,000 per job paying 115-125 percent of the local average wage, and $2,000 per job exceeding 125 percent of that average, up to $750,000, payable over five years.[55]

Total estimated subsidy value in Utah: $750,000.

SUMMARY OF VERIZON'S STATE AND LOCAL SUBSIDY AWARDS

Alabama	$17.3 million
Arkansas	$1.0 million
Maryland	$1.7 million
Nebraska	$3.0 million
New Jersey	$113.0 million
New Mexico	$12.8 million
North Carolina	$8.5 million
Ohio	$6.5 million
Pennsylvania	$3.4 million
South Carolina	$6.5 million
Tennessee	$6.0 million
Texas	$0.3 million
Utah	$0.75 million
TOTAL	**$180.8 million**

CHALLENGING PROPERTY TAX ASSESSMENTS

In addition to seeking economic development subsidies, Verizon has used another method to try to reduce its local tax payments: property tax assessment challenges. Over the past decade it has filed such challenges in at least half a dozen states.

In Delaware's New Castle County, for instance, Verizon appealed its assessment for the 2006-2007 assessment period, challenging the county's method for depreciating the value of the company's telephone poles and other outdoor equipment. The county's Board of Assessment Review agreed to reduce Verizon's assessment from about $190 million to $110 million, a reduction of 42 percent. This saved Verizon $700,000 in property taxes for the two-year period and caused financial problems for the county's schools.[56]

In Massachusetts, Verizon Wireless used the assessment appeal process to claim special exemptions on business personal property designed for traditional telephone carriers. The wireless company filed an appeal of its tax bill in 220 cities and towns throughout Massachusetts. Then Verizon New England filed appeals in 612 jurisdictions challenging the state's decision to start charging the company tax on its poles and wires over public ways. Verizon ended up losing in court on both issues, and in 2009 the state legislature formally repealed the law that had exempted telephone companies from paying property taxes on poles and wires over public ways. This helped the finances of municipalities, but Verizon took it out on Massachusetts customers by imposing a surcharge on their monthly bills.[57]

In 2010 Verizon launched an effort to reduce its property tax payments in Virginia. It filed documents with the State Corporation Commission arguing that its poles, lines and other equipment are worth less because of the additional competition the company faces. The company sought a reduction in its assessment of about 40 percent. In August 2011, during the strike by Verizon employees, the company dropped its challenge.[58]

CONCLUSION

Despite being highly profitable, Verizon manages to avoid billions of dollars in federal and state taxes through tax code maneuvers as well as by seeking special tax breaks in the name of economic development. It also shortchanges local governments through property tax abatements as well as assessment challenges.

Whatever savings have come from this tax dodging have not been used to invest in the company or its workforce. Verizon has been eliminating jobs and investing less. During the past three years, the total number of employees at Verizon has fallen by more than 40,000 and the company's capital expenditures have declined by $1 billion.

One number that hasn't fallen is the total compensation received by Verizon's chairman (and, until recently, chief executive) Ivan Seidenberg. Last year his total compensation, including the value realized upon the vesting of stock awards, soared to more than $48 million. Lowell McAdam, the new CEO, received more than $12 million in total compensation last year as president and chief operating officer.

Verizon clearly knows how to take care of its top executives, but it has a lot to learn about fulfilling its obligations as a corporate "citizen." By failing to pay its fair share of federal, state and local taxes, Verizon is putting a bigger burden on other taxpayers and creating greater strains on government during a time of fiscal distress.

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