

Silicon Valley Tech Untaxed - or how Apple ducks all it...

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I take the following edited extracts from an [op ed in the San Francisco Chronicle](#) written by Samuel S. Kang, who is general counsel and Tuan Ngo, who is a legal associate, both of them at the Greenlining Institute, www.greenlining.org. That organisation has just published a [new report called](#) 'Tech Untaxed: Tax Avoidance in Silicon Valley, and How America's Richest Company Pays a Lower Tax Rate than You Do'. It does, of course, refer to Apple:

If you're like most Americans, you just paid your federal income taxes. And chances are you paid at a higher tax rate than America's wealthiest company.

Think about that for a second. Apple earned more than \$34 billion in profits last year, and the company's value recently soared past half a trillion dollars. That's more than the gross domestic product of oil-rich Saudi Arabia.

Yet Apple paid a lower tax rate last year than a typical California schoolteacher - indeed, lower than most American families.

And it's not just Apple. For our new report, "[Tech Untaxed: Tax Avoidance in Silicon Valley, and How America's Richest Company Pays a Lower Tax Rate than You Do](#)," we examined the Securities and Exchange Commission filings of 30 top tech firms listed in the Fortune 500. We found that most of these tech giants - many based in Silicon Valley - are making extensive use of offshore tax havens to avoid paying taxes on their immense profits.

It's not fair.

These companies use a variety of devices to stash profits in countries known as tax havens, such as Bermuda and the Cayman Islands, sheltering them from U.S. corporate income taxes. From 2010 to 2011, the amount of cash held overseas by these 30 top tech companies shot up by 21 percent, to just less than \$430 billion. Apple and Microsoft had the biggest increases in cash held offshore.

These 30 companies - which, by the way, got \$18.7 billion in federal contracts in 2011 -

have seen their tax rates drop like a rock, from 23.6 percent in 2009 to 19.9 percent in 2010 and 16 percent in 2011. Apple's tax rate plunged even more dramatically, from 24.8 percent in 2009 to 14.7 percent in 2010 and 9.8 percent in 2011. Apple's 2011 tax rate was lower than that of American households making an average of \$42,500 per year. We hear a lot of whining from the corporate world about the United States' supposedly excessive top corporate tax rate of 35 percent, but that rate is a sham. These huge, profitable companies don't pay anything close to it.

Bear in mind that this is happening at a time when draconian cuts to the federal budget are a real possibility. For example, Congress and the president have agreed to devastating cuts that could be triggered in January. According to the Coalition on Human Needs, these cuts will kill job training for 670,000 Americans, deprive 75,000 preschoolers of access to Head Start and squelch an astonishing 2,300 health research projects.

We can do better. First, Congress should fix the tax code. It can start by passing the Stop Tax Haven Abuse Act, a broad package of reforms designed to curb abuse of offshore tax havens that was introduced last year. Other changes could rein in abuse of "deferral," which encourages corporations to accumulate profits offshore indefinitely.

Second, Congress should stop rewarding tax avoidance by barring federal contracts with corporations that use offshore tax havens to dodge U.S. taxes. And it should not pass the repatriation plan being pushed by a high-powered corporate lobbying campaign, which would let companies bring their offshore cash into the United States at a drastically reduced tax rate - essentially a Christmas present to Apple and Google, paid for by you and me.

The accounting details get complex, but the basic issue is simple: Wealthy companies shouldn't be able to evade paying their fair share by gaming the system in ways ordinary Americans can't.

I wholeheartedly agree.

And it's good to see that the same momentum for change that is starting here is also gathering support in the USA.

As for Apple - I wish their products weren't so good. Then I could boycott them. But you can love the product and hate the company for what it does I guess. In that case, that's what I do.