

Microsoft has still not resolved its 2004 tax affairs

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I was first involved in writing about Microsoft's tax affairs in November 2005 when work I did was quoted in the [Wall Street Journal](#) (paywall).

I have just noticed this [from their 2022 annual filing](#):

Uncertain Tax Positions

We settled a portion of the Internal Revenue Service (“IRS”) audit for tax years 2004 to 2006 in fiscal year 2011. In February 2012, the IRS withdrew its 2011 Revenue Agents Report related to unresolved issues for tax years 2004 to 2006 and reopened the audit phase of the examination. We also settled a portion of the IRS audit for tax years 2007 to 2009 in fiscal year 2016, and a portion of the IRS audit for tax years 2010 to 2013 in fiscal year 2018. In the second quarter of fiscal year 2021, we settled an additional portion of the IRS audits for tax years 2004 to 2013 and made a payment of \$1.7 billion, including tax and interest. We remain under audit for tax years 2004 to 2017.

As of June 30, 2022, the primary unresolved issues for the IRS audits relate to transfer pricing, which could have a material impact in our consolidated financial statements when the matters are resolved. We believe our allowances for income tax contingencies are adequate. We have not received a proposed assessment for the unresolved key transfer pricing issues and do not expect a final resolution of these issues in the next 12 months. Based on the information currently available, we do not anticipate a significant increase or decrease to our tax contingencies for these issues within the next 12 months.

I admit that the story I was involved in that long ago seems like ancient history now but for Microsoft, it is still rumbling on. I think that justifies all the fuss made back in 2005.

I knew we were on to something then because the following year Microsoft denied us access to the information to take another look at what was happening by making its main Irish subsidiary unlimited for a while so that its tax data was not on public record. But that was clearly not enough to throw the IRS off the trail.