



The Daily Dish

Keep Calm and Never Read the ITEP Report

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In keeping with a wearying tradition, the Institution on Taxation and Economic Policy (ITEP) published the latest iteration of its “name and shame” report just in time for Tax Day. The report, [88 Corporations, \\$105 Billion in Profits, Zero Federal Income Tax](#), leads with:

At least 88 of the largest corporations in America paid no federal corporate income taxes in their most recent fiscal year despite enjoying substantial pretax profits in the U.S. While the biggest U.S. corporations have avoided taxes in this way for decades, it appears that corporate tax avoidance has increased in the most recent year.

The report regularly gets lots of attention, in part due to the [efforts](#) of advertiser-in-chief Elizabeth Warren, and the intent is clearly to suggest nefarious doings by America’s successful corporations. The Biden White House, to its eternal shame, permitted the then-president to invoke this report in two State of the Union addresses.

Real people should not get spun up by this political hit job disguised as a research report. Simply stay calm and never waste a second reading the report. Why? Let us count the reasons.

First, there is [zero, zero, zero evidence](#) of any law-breaking tax evasion or even tax shenanigans in this report.

Second, ITEP does not have any tax returns for these corporations, which – properly – are confidential and protected. It relies on financial statements (Securities and Exchange Commission Form 10-K) to guess at taxable income and tax liability. Put differently, it is entirely made up.

Third, financial accounting profits and taxable profits are related only by the word “profits.” Accounting profits are a forward-looking, multi-year concept in which future profits are booked in the year they become feasible. Tax profits are a cash-flow concept that looks at the difference between revenues and costs in the tax year. Future revenues will be taxed in the future.

Fourth, the tax code contains many activities that the policy makers exempt from tax in order to induce corporations to pursue those activities. Want green energy? Litter the tax code with tax credits for wind, solar, and other sources of energy. Companies that do a lot of clean energy will pay no taxes. Want a vigorous investment climate? Allow expensing (100-percent deduction of the cost in the first year) and companies that do a lot of investment will pay no taxes. Ditto for research and development.

The list could go on, but four is enough Nobody should be mixing statements about financial accounting profitability with tax liability. Keep calm and NEVER read the ITEP report.