

Hill Probers May Subpoena ITT for Tax Payment Data

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Senate investigators may subpoena International Telephone and Telegraph Corp. to force ITT to disclose how much it paid in federal income taxes, it was learned yesterday.

The possibility arises because ITT's chairman and chief executive officer, Harold S. Geneen, hasn't kept a promise to the Senate Subcommittee on Multinational Corporations to supply the tax data.

Geneen made the promise at a subcommittee hearing on April 2, first to Sen. Stuart Symington (D-Mo.) and then to chairman Frank Church (D-Idaho).

ITT did supply some figures on April 9, through John H. Schafer of Covington & Burling, a Washington law firm retained by ITT.

But Church, in a letter to Geneen last Monday, said, "It is not possible to tell from the schedule transmitted by Mr. Schafer . . . precisely how much federal corporate income tax was paid by ITT.

"Would you therefore be good enough to submit for the record the amount of federal corporate income tax paid by the ITT Corporation in 1971 and 1972?"

If ITT doesn't submit the data, a subpoena is considered the subcommittee's most likely course, it was learned. The senators are not expected to allow Geneen's promise to be broken.

The subcommittee could seek the information from the Internal Revenue Service, but even were the IRS to oblige it would be expected to require that the subcommittee not make the data public. Public disclosure, however, is a primary purpose of the subcommittee's probe into the workings of multinational corporations.

ITT had no comment yesterday.

Last year, before allowance for extraordinary items, ITT's consolidated after-tax income was \$477 million, although Geneen estimated it at \$450 million in his testimony on April 2.

Church asked, "And isn't it true you paid somewhere around \$2 million to the federal government in taxes?"

"I think that is too low," Geneen replied. It is only 2½ times his 1972 salary of \$813,211.

Church, obviously referring to an extremely low effective tax rate, said, "I think it is too low, too, but isn't that what you paid?"

"I think it is a low estimate," Geneen responded. "Let me get you the exact figure."

Earlier in the hearing, Symington also pressed Geneen to disclose how much the company paid.

"I don't have the figure in mind," Geneen said. Symington and Geneen then had this exchange:

"Is there anybody in your



SEN. FRANK CHURCH
... got Geneen promise

organization who has that here?"

"No, but we can get it for you."

"You don't know what it is yourself, you don't know what the taxes are?"

"But I will get them for you."

"Will you supply them?"

"Gladly."

Attorney Schafer, in a letter April 9 to subcommittee counsel Jerome I. Levinson, provided figures on ITT income and "provision for taxes on income."

The data do not distinguish between income taxes actually paid and sums provided for possible payment. Nor do they disclose whether the listed income taxes reflect a deduction for foreign tax credits.

The figures were "very-carefully structured" to achieve this kind of obscurity, Levinson complained.

For 1972, the data show domestic "income before taxes" of \$290.5 million, "income taxes" of \$86.7 million and "effective tax rates" of 30 per cent. In a footnote, however, ITT says the figures take into account "state and local income taxes of \$10,310,000."

For 1971, ITT listed "income before taxes" of \$319 million; "income taxes" of \$114.8 million, including state and local income taxes of \$9,399,000, and "effective tax rates" of 35 per cent. A footnote says the figures excluded income from Chile and an extraordinary write-off of \$70 million with no associated tax benefit.

Foreign before-tax income in 1972 was listed at \$351.2 million and income taxes at \$137 million.

Operating in 93 countries, ITT is "exceptionally able to defend itself against taxation, like a nomadic millionaire," Anthony Sampson, author of a forthcoming book, "The Sovereign State of ITT," says in an article in the current New York magazine.

"Soon after he became president, Geneen held a special conference of his top lawyers and accountants, to discuss how ITT could best make use of the tax havens outside the United States to cut down its American taxes," Sampson says in the article.

"The experts were doubtful, but Geneen insisted that ways could be found; and ever since then, ITT has surprised other companies' accountants by the smallness of its taxes. In 1969 and 1970, when its earnings once again increased, it actually paid fewer taxes than in the preceding years."