The Taxcast, November 2023: Microsoft and Puerto Rico

Naomi Fowler: Hello and welcome to the Taxcast, the Tax Justice Network Podcast. We're all about fixing our economies, so they work for all of us. I'm Naomi Fowler. On the Taxcast this month, the story of when the US tax authorities, the IRS, decided to crack down on Microsoft, one of the world's biggest tech companies.

Zorka Milin: The only ones who benefit here are the big four tax advisors. In this case, tax advisors at KPMG. All of that was very lucrative for them. The downside was suffered by everyone else.

Naomi Fowler: And before that- titanic power clashes seem to be the order of the day. There's been another historic vote at the United Nations, a landslide vote on how international tax rules are decided. This vote now pushes the world on to the next stage. Here's Alex Cobham of the Tax Justice Network.

Alex Cobham: Last week's vote at the United Nations was absolutely historic. The countries of the Global South came together and demanded that after a hundred years in which the imperial powers or their, their successors at the OECD, the rich countries, have set the rules, that there should actually be a process at the UN to negotiate a convention on tax, international tax cooperation in particular, in which every country in the world will have an equal say, the right to participate fully. So it allows us to look forward to a position where we finally have a global tax body in which every country is represented.

Now this is really important for the countries of the Global South, starting with the Africa group who've led this. These are the countries that lose the biggest share of their revenues, each year to international tax abuse. And that international tax abuse is primarily caused by and facilitated by the rich countries, the members of the OECD and their dependent territories.

But there's also a win here for those OECD countries themselves. They've insisted for so long on keeping the power at the OECD. And it's not just exclusionary there, it's also become completely ineffective, so the OECD members themselves lose, and all of us who are citizens of OECD countries too of course, lose the greatest amount of revenues in absolute terms to that cross border tax abuse by their own multinationals by individuals hiding assets and income streams offshore. So for all of us, the negotiation of the UN convention that will soon begin is an awesome opportunity to hold our governments to account, instead of going behind the closed doors of the OECD. People said we'd never get anywhere at the United Nations, that we just had to deal with the fact the OECD was exclusionary and kind of structurally unjust and get the best that we could out of that. I think we've moved on, So let's celebrate just a little, and then the hard work begins.

Naomi Fowler: Yeah, the last time the Global South countries tried to bring decision making on tax rules to the United Nations was back in the 1970s. Now, 50 years later, they're mounting this existential challenge to global power. In next month's episode, we're going to bring you our analysis of the vote, the attempts by some nations to block it, and we're going to look at what happens next.

Back to the largest audit in history. It's kind of a United States taxpayers versus Microsoft. And the story doesn't begin where you'd expect.

[Anthem of Humacao]

This is the anthem of Humacao. It's an absolutely beautiful location in Puerto Rico, about an hour's drive from the capital city of San Juan. It's got a 3, 000 acre nature reserve, lots of beaches and a population of around 50,000 at the last count, not including all the tourists. It doesn't have an obvious connection to one of the world's biggest multinationals, Microsoft. But, since 1989, Microsoft had a little facility there, employing about 85 people to burn Office and Windows software onto CDs.

Microsoft had enjoyed a 15 year tax deal with Puerto Rico on this little factory, which guaranteed them a tax rate of zero to 2%. Over the years, it saved them nearly $200 million in taxes. It's not a huge deal for such a big corporation, but it's nice if you can get it. That nice little 15 year deal was due to end in 2005, but a much more lucrative opportunity came up. This is Business Reporter at ProPublica, Paul Kiel.

Paul Kiel: They were actually about to close the factory because there was no point in having it there anymore when essentially KPMG, you know, one of the big four consulting and auditing firms came to them with a proposal and said, you know, Puerto Rico is actually a great, great place to have a factory if, if you have some sort of IP transaction.

Naomi Fowler: IP is intellectual property.

Paul Kiel: The idea of like a company like Microsoft selling it's IP, its most valuable product, particularly to a small company in Puerto Rico is ludicrous !

And, you know, these types of transactions are not unique to Microsoft by any means

Naomi Fowler: Indeed they're not. Multinational companies use all sorts of tax strategies to shift their profits to tax havens, and they do it to the tune of an estimated one trillion dollars a year.

In Puerto Rico, 43 percent of the population lives in poverty. Not much benefit to be had for them with the Microsoft deal. Except for a few jobs maybe. Anyway, this story's been running for a long time.

Paul Kiel: 20 years, it's, that's how old it is. It's a long time. It's like, a child born, you know, the same year as the transaction was being audited, you know, is maybe in college now!!

Naomi Fowler: Ha ha. Anyway, KPMG's *brilliant* idea was for Microsoft to sell its intellectual property to this 85 person factory it owned in Humacao. This time, KPMG persuaded the Puerto Rican government to give Microsoft a tax rate of close to zero percent. Microsoft shifted at least 39 billion in U. S. profits there. The IRS auditors, the IRS auditors discovered what they believed was some mightily creative accounting, some laughable numbers, in fact. Fast forward to 2023, and Microsoft announced the IRS had notified them that they owe 28. 9 billion dollars in back taxes, plus Penalties and interest. Microsoft disputes that.

Paul Kiel: And they're going to appeal and that's going to take another good long time.

Naomi Fowler: A very long time. It's a fascinating story. It should be made into a thriller movie someday. Honestly, the twists and turns, the arrogance of Microsoft, the determination of the attorneys working for the IRS. I mean, wow.

Anyway, tax authorities don't often challenge multinationals in this way, even in the United States. So how did this even happen?

Paul Kiel: This is a time when the IRS was actually like relatively well funded around 2010. You know, Obama's president, they have an IRS commissioner who says is going to make this a priority. And so they stand up this new unit that's going to audit these sorts of transactions more capably. I think it's fair to say there had been some audits before that point, but they had not been particularly I guess, aggressive in their, in their posture towards how they're approaching the issue. And you know, clearly back footed, like reacting as opposed to making any sort of stand. And so they, they hired a guy named Sam Maruca, who actually had been a lawyer in private practice. And he was sort of outspoken about the fact that, you know, some of these transactions were, were clearly a kind of, he didn't use the word tax shelter, but essentially he's saying that's what they are. And that, you know, the IRS had gotten into a little bit of a losing streak in auditing these transactions and he thought the reason for that was that they weren't essentially going about the audits the right way. And he brought over another attorney from a firm he'd practiced at, named Eli Hoory. He was actually pretty young at that time, not that far out of law school, had done some work in the private sector. And, you know, he also bought into that sort of idea. And so they were canvassing when they got there, 2010, 2011 for cases that they thought would be good, sort of like, let's stand our ground sort of cases.

Naomi Fowler: And so, I mean, they had this new unit. It was in the height of some serious money and political will directed at corporate tax abuse. So do you put all this kind of action, which was quite unusual in several different ways, down to political will? Was it public pressure? What do you think spurred that kind of, setting up the unit, going quite aggressively after one big multinational?

Paul Kiel: Right, as for why this happened back in 2010, yeah, I think it's, it was seen as you know, having corporations pay their right amount of tax. I mean, these, these profit shifts, shifting like, you know, to Ireland and all these other tax havens, like, you know, that's not popular, people don't like that idea. There's not a lot of defenders of the principle, like, why that's good policy. There was a lot of corporations on Capitol Hill saying, you know, we, we follow the law as it's written, sort of thing. But so yeah, you know, I don't, I don't know if public pressure is quite the word for it, but I think it was seen as, you know, politically a positive idea. And that was why the IRS had the capital to do that. But I think it also also comes down to the personalities of people who are put in charge of the unit and decided to do things a certain way. Obviously, there wasn't like, you know, the public was not clamoring for them to use these, you know, highly obscure tools that the IRS has and nobody knows about that, it's their choice to decide how to carry out the mandate of, you know, having corporations pay their, pay the appropriate amount of tax.

Naomi Fowler: Yeah, I have found before that just a small, quite surprisingly small group of individuals can make a big difference in cases like this and in how tax authorities, uh, take action.

But, I mean, hiring a private corporate law firm to represent the agency, that, I don't think that had happened before either, right?

Paul Kiel: No, it had never, it was kind of a creative idea they had, which comes back to them being from, in private practice. And basically like, I mean, frankly not, they were not very impressed with the litigators that the government had at their disposal. And basically like, we need, we need winners is kind of the idea and yes there was a big freakout on Capitol Hill about that and essentially they got into legislation that prevented it from happening going forward. I mean, obviously it's not absolutely necessary for the IRS to have access to private litigators. What is necessary is for them to have *capable* litigators.

Naomi Fowler: Yeah, it's fair to say as well that if an agency, a tax collection agency can pay well, then they can retain arguably some of the, the best people but I've found many times that you see a lot of people going to the other side, because they can earn a lot more money and they're deploying those skills not for the public good, but for corporate good, I guess.

Paul Kiel: Right. Government salaries are not what you can earn in the private sector, so essentially you're always, it's not like they're paid poverty wages, like you can get paid quite well by normal standards, but not by like, you know, working for a big four accounting firm standards. So the pitch is always like a public service sort of pitch. Or if you want to be less public service oriented, you know, there is value to have worked at the IRS. You want to go back into the private sector and, you know, maybe get paid a little more because of that experience, so they are trying to staff up. It's going to take time.

Naomi Fowler: So the reaction of the big tech companies to this challenge from the IRS was really, really strong, and they actually managed to lobby enough to get a change in the law, restricting the ability of the IRS to use some of the same tactics in future. This reaction I mean, in lots of ways, it shows you how these very big corporations will act as one when it's in their collective interest.

Paul Kiel: Right. Yeah. So, I mean the lobbyists argument on Capitol Hill is never, you know, we want to make sure that our big tech companies can send profits to tax havens, that's not the way they frame their argument. It's always, you know, taxpayer rights. You don't want the IRS basically being unfair in how it audits people.

So you know, this, this unit, that was one of their cases and Microsoft was the big one. And so one of, one of the tools they have is called a designated summons. And essentially what it is is when a taxpayer is not being forthcoming with documents, they have not given them over in the typical process where the IRS asks for documents and they can stall or whatever. And then it's up to the IRS to sort of take a stand. You know, it's kind of more conventional to issue a normal summons, which would just be, you sue them in court and say, give me the documents, but the problem with that is the statute of limitations is still running. So you're going to have the clock running out on you. It gives incentive to the taxpayer to, you know, drag their feet a little bit. Designated summons stops the clock. So that takes away the leverage that the taxpayer has in that situation, because instead of being able to run out the clock, they have to just sort of fight it out in court, however long it takes. And that's essentially what happened in this case.

Naomi Fowler: There's an internal appeals process where there's an independent private check on audit findings. Some call the Office of Appeals the *gift shop* because complex transfer pricing audits looked at there end up reducing the amount of tax originally owed by about 81%. Microsoft was keen to move straight to that process for obvious reasons. The IRS tried to block that avenue and go straight to an open public court. No doubt they were cheered by frustrated IRS auditors everywhere who faced armies of corporate lawyers in other cases.

Paul Kiel: People who I spoke to are auditors often very frustrated with appeals, essentially giving cases away that took years to build on the appeal side they have, they have this idea of they have to weigh the litigation hazard, which is they're saying, how, how likely is the IRS to lose in court? And they would come to the conclusion, we're probably not going to win, maybe there's a 20 percent chance to win, therefore we'll mark down you know, the, the adjustment to 20 percent of what the IRS is wanting, like that sort of logic. And so they were particularly worried about doing all this work, building this great case, and then appeals is like, well, it's a transfer pricing case. We don't win, so we'll just give it away. So they, they, they sought to skip appeals, and that was one of the big things they fought over.

Naomi Fowler: Microsoft won that particular boxing round and got its internal appeal. And from now on, new legislation will make it harder for the IRS on that front. That's because this huge lobby of tech and business groups lobbied hard. And to cut a long story short, a bill was passed into law, meaning the IRS will have to follow a new process if they want to block appeals or designate summons. And when they do, they'll have to report directly to Congress.

Paul Kiel: You know, lobbyists for the corporate world and for wealthy taxpayers are good at making arguments in a way that emphasize the taxpayer rights aspect of things. So you end up with bills that are like called the Taxpayer Rights Act or that sort of thing, when oftentimes they're picking issues that really only affect like the largest corporate taxpayers, but oftentimes they'll try to characterize them as hurting small business. So that's what you're up against if you're supportive of, you know, more muscle behind tax administration.

Naomi Fowler: However, in one of the big victories so far for the IRS in this long running case, a judge agreed with the IRS's view on Microsoft's use of Puerto Rico. He wrote in his judgment, quote, *'the court finds itself unable to escape the conclusion that a significant purpose, if not the sole purpose, of Microsoft's transactions was to avoid or evade federal income tax,'* close quote. And he agreed with the IRS that documents from accountancy firm KPMG had to be turned over because they'd been promoting a tax shelter. And when you see these documents, you can see why Microsoft fought so hard to keep them confidential.

Paul Kiel: so there's, there's privilege similar to this attorney client privilege that, you know, an investigative agency can't get to or, or a litigant. Same thing with tax advice. But in cases where, you know, a court decides it's, there's a tax shelter, those privileges get rolled back. And it's, and it's more, and essentially that's what the, that's what the IRS successfully argued in this case.

Zorka Milin: We know that these kinds of corporate tax schemes are zero sum. Actually, more than that, you know, this case shows they are a negative sum game, in which nobody really wins.

Naomi Fowler: This is Zorka Millin of the Financial Accountability and Corporate Transparency Coalition.

Zorka Milin: So in this case, you know, take the people of Puerto Rico, where Microsoft barely paid any taxes, and they didn't even create a meaningful number of jobs. And Puerto Rico, you know, that it's one of the poorest parts of the U. S., and it's also increasingly hit by you know, climate impacts like the, like the tragic Hurricane Maria a few years ago. So, you know, in Puerto Rico disaster relief and other basic public services are desperately needed.

And let's not forget the U.S. Treasury. I mean, you know, the U.S. obviously suffered a gigantic, maybe even record breaking revenue loss which they're now trying to, to recover from Microsoft. And also, think about Microsoft's investors, they stand to lose, certainly if the IRS is successful, that would be a huge hit to the company's bottom line, even for a company that's, you know, as huge as Microsoft.

And so really the only ones who benefit here are the big four tax advisors. In this case, that would be the Microsoft tax advisors at KPMG who came up with this plan and managed to convince Microsoft's executives to go along with it. And they also negotiated the controversial tax holiday with Puerto Rico. All of that was very lucrative for them. There was no downside. You know, the downside was suffered by everyone else.

Naomi Fowler: Indeed. Like tax authorities in many nations, the IRS was financially undermined for years. Soon after coming into office, President Biden injected huge amounts of money, and with the Inflation Reduction Act, the IRA, more investment was promised.

Samantha Jacoby: The funding is very important for the effort to overall for the effort to rebuild the IRS after over a decade of a budget cuts.

Naomi Fowler: This is Samantha Jacoby of the Centre on Budget and Policy Priorities.

Samantha Jacoby: The IRS budget, it's sort of annual budget that that it gets every year is, is about 20 percent below what it was in 2010 after you adjust for inflation. So there was a, it's sort of a deep hole that the IRS was in before the inflation reduction act passed and and kind of the, the whole idea behind it was, was to to get the, the IRS back to where it would have been without those cuts.

Naomi Fowler: the Biden administration was estimating that this new IRS investment should raise 400 billion over the next 10 years. you know if you look at what, what the IRS can do when it's very, very determined and you've got a lot of political will and I'm just thinking about the Microsoft case at the moment and I know that they're appealing but it just shows that with the right amount of funding that comes from very strong political will and belief in the tax authority as a public good, it can achieve a lot of things for the public, right?

Samantha Jacoby: Yeah, so it is it is it is clear that with with adequate funding that the, the IRS can can take on some of these large high impact cases and bring in a lot of revenue and you mentioned the Treasury estimate on raising 400 billion dollars in revenue but there's there are some academics out there who think that that would be even higher. That return on investment would be even higher. There's a study that found that for every dollar, the IRS spends on auditing very high income taxpayers, the, the government, the government gets back 12 dollars in revenue.

So that's, that's a huge return on investment. Whereas audits of low middle class households raise far less. And, you know, the, the, without that, that those resources, it's, it's clear that the IRS just doesn't have the capacity to take on those kinds of cases.

The audit rates for millionaires and the largest corporations over the last 10 years fell by roughly 77 percent and 56 percent respectively from 2010 to 2017. The reason that that happens is tax returns of high income and high wealth people and large businesses are just they're so complex auditing them is is labor and time intensive. And so without resources, without the sophisticated audit staff, the IRS just can't do it. They're, they're, they're just not equipped to, to sort of even identify those, those high impact cases, let alone pursue them and take on the, the, the, the corporations sophisticated tax advisors in court. But even, you know, even just a year into the inflation reduction act funding taking effect the IRS has already shown what it can do.

The Microsoft case of course, predated the the the IRA, but the, the IRS has has has has been very effective so far in using the new funding, both to improve the services that it provides taxpayers as well as, you know, it's technology improvements and and even making investments in enforcement. So in terms of customer service, they, they made huge improvements over the last filing season in terms of improving the level of service that they've they've provided to taxpayers that people have been you know, getting their calls answered more, more quickly, they've the IRS has, has opened new taxpayer service centers to help people file their returns, they've made big improvements in digitizing the tax the tax return filing process on the enforcement side they've, they've announced a big new initiative to audit partnerships. Partnerships particularly large partnerships are really, really difficult to audit. And the IRS has historically almost never audited large partnerships. The audit rate was practically zero but they've announced that they're going to start using AI tools to identify partnerships for audit. And, and those, those types of entities include hedge funds, large real estate firms that, that are really, they're, they're really sophisticated entities that are able to sort of structure their, their businesses so that it's, it's really difficult to unpack where their income is. And so that's one area we're seeing improving already just a year in. There there's been efforts to pursue high income people who have not filed their taxes or failed to pay their their, their tax debts. Those efforts are already starting to pay returns as well.

Naomi Fowler: You'd think that's something all politicians could get behind, but sadly that's not the case. The Republicans are proposing to cut the vast majority of what remains of the 80 billion Inflation Reduction Act funding. Paul Kiel again.

Paul Kiel: I mean, it was pretty apparent to me from the beginning that that money would be under threat politically for the entirety of its life. And that's, you know, what we're seeing now. I mean, the Republicans have tried, it's like a routine now, like every single bill they try to take away money from the IRS and you know, if we end up with an election where you have completely Republican controlled government, I think you have to expect them either gutting that pot of money or simply saying like the IRS gets no money in a normal, like it's there are normal annual appropriations that are going out, they could just say, like, you just use that pot of money to do that, we're not going to give any more. And that'll be a threat for the, for the length of this, of this bill. So it's, it's unfortunately, the idea was to give the IRS this pot of money that couldn't be touched and so that they could hire people with confidence. But it's, it's, given the political environment, it's kind of impossible to entirely accomplish that so, it's something that's going to unfortunately have to be watched going forward.

Naomi Fowler: Samantha Jacoby.

Samantha Jacoby: It is very disappointing to see efforts to rescind that funding. for context, the IRS budget in 2023 was about 12 billion. So just that, that annual IRS budget would be cut by a significant amount. And then they would also rescind the vast majority of the long term. 80Billion dollars in funding that that Congress passed last year in the inflation reduction act.

So if that if those funding cuts were enacted that that would prevent the IRS from undertaking its planned rebuilding effort just sort of full stop it, it would cement in place the, the current depleted state of the IRS after a decade of cuts and the result would be continued dysfunction, understaffing, declines in the number of audits of the wealthy and corporations on top of what we've already seen.

it hasn't been passed yet. And, and, you know, President Biden would of course have to approve it. So there, we're still very optimistic that that, that IRS will retain most of its funding.

Naomi Fowler: Oh, I hope so. I mean, can he veto it then as President?

Samantha Jacoby: Yeah so the President can, has a veto, has veto power over it. And the Senate Democrats are in control and they've been supportive of IRS funding as well. But, yeah, but it's unclear where we'll end up, but there's good reason to think that that the vast majority of the funding will stay in place.

Naomi Fowler: Let's hope so. Meanwhile, pressure's building on multinationals themselves from shareholders and investors who want to see much more transparency on tax. Zorka Milin again.

Zorka Milin: In the last couple of years, we've seen increasing demand for tax transparency in particular coming from investors, in a number of major companies, and that includes big oil companies. Exxon, Chevron, ConocoPhillips, in all of those companies, Oxfam America has filed shareholder resolutions, and it also includes big tech companies.

Notably, let me single out Microsoft itself, so at Microsoft, the shareholder resolution for country by country reporting will be put to a vote again at their upcoming AGM, which is taking place next month. When this happened last year at the AGM, this tax proposal was interesting, it actually had the greatest support out of any shareholder proposal that was put up for a vote last year.

And so, you know, it's clear we're seeing an upward trend. Here and at this point, I would say, really, it's just a question of when and not if, and it's also, you know, a question of whether it will come as a result of shareholder resolutions or maybe, eventually, we expect to see a more broadly applicable regulation that would come from the U. S. financial regulators, so the Securities and Exchange Commission.

Naomi Fowler: And like so many of these messes we report on on the Taxcast, things don't have to be this way.

Zorka Milin: Okay, just imagine a world in which Microsoft had published all of its country by country tax information for all of the relevant years here. You know, maybe they did it voluntarily as, you know, some other companies have actually already been doing for many years, or maybe they did it because of a shareholder resolution that was successful, or maybe they were just following the law, you know, complying with a regulation that required all companies to provide this tax information. So if, whatever the reason, if that information was made public, then Microsoft's investors would have spotted right away the incredibly striking mismatch that exists between Microsoft's, you know, pretty insignificant operations in Puerto Rico versus the many billions of dollars in tax profits that the company had booked in Puerto Rico. And that would be a major red flag. And I think that would most likely deter a company like Microsoft from engaging in such very aggressive tax dodging. So in that sense, what I would say you know, tax transparency is like sunshine, as they say, it's the best disinfectant.

Naomi Fowler: Currently, the situation is that under OECD rules, companies report the nature of some of the actual business they do country by country, But, that system's really deficient in its current form, as Zorka Milin explains.

Zorka Milin: The OECD regime for country by country reporting, it is *somewhat* helpful. At least it's helpful to those tax officials from those governments who can access it. And it's important to note here that that doesn't include most global South countries. So, you know, for them, it's not really helpful at all.

Naomi Fowler: And many poorer nations need it the most because corporate tax is even more important to their tax base than in wealthy countries. And there's another fundamental problem.

Zorka Milin: The larger point I would make here is that the OECD, it's not really a transparency regime, I think that's a misnomer because it's not public. So, you know, I, I don't think we can call something that's not public, I don't think that's, that's real transparency. And so it also means that this is of no use to investors. But, you know, while we're waiting for regulatory action in the U. S. and maybe also the U. K., we actually already have some good news coming from Australia, we recently received a confirmation from a senior Australian government official from the Australian Treasury, Andrew Leigh:

Naomi Fowler: And here he is. Listen carefully, he's talking about public country by country reporting. Very different.

Andrew Leigh: Australia is committed to public country by country reporting to hold large multinationals to account when it comes to their tax affairs. Country by country reporting is intended to shift behaviour in the way large multinationals disclose their tax information. It puts the onus on multinationals to be upfront about where they pay tax.

Australia plans to start our public country by country reporting regime on the 1st of July, 2024, aligning with the start date for the European Union's regime. Our aim is to be world leading in country by country reporting, and we've consulted on it earlier this year. There's broad stakeholder interest, and we're considering feedback on compliance costs and alignment with other international standards.

We want Australia's transparency commitments to be measured and targeted. It's about encouraging a race to the top in business productivity, not a race to the bottom in tax compliance.

Naomi Fowler: This *should* be good news. We're cautious because the Australian government was on the point of passing this legislation in its parliament earlier this year with a comfortable majority, but it faced a tidal wave of opposition and lobbying and they delayed it. The OECD, along with many others, lobbied strongly to stop this legislation that would have delivered the biggest breakthrough ever. Ever on the taxes of multinational corporations. That proposed Australian legislation would have affected at least one in five of them around the world and they'd have had to start publicly disclosing their profits and taxes. Zorka Milin again:.

Zorka Milin: Australia plans to start its public, so true transparency, public country or country reporting next year, 2024, and that day, that's going to be a sea change in corporate tax transparency, and it will have major global impact that goes far beyond just Australia because the scope of the laws is such that it will cover many major multinationals and we also hope that it will cover all of their global operations. So that will be a major moment next year.

Naomi Fowler: It would make such a difference. So let's hope Australia is now back on track with its commitment to public country by country reporting. I had one last question for journalist Paul Kiel of ProPublica who stuck with the Microsoft story for so long.

In my job where I'm trying to communicate these kind of long term battles that are going on, trying to explain to people some of the things that go on behind closed doors, some things which seem quite boring in some ways, and are not easy to explain or understand. I was just wondering what your take on it was, because you've been following this case and cases like this for a long time, such a long historical curve in a case like this. Just wondering about your thoughts on the capacity of media and journalists to reflect to people this type of very important case.

Paul Kiel: Right, right. I mean, it's, it's complex and not complex. It's not complex in the sense that it's apparent Microsoft did a somewhat ridiculous transaction just to save a lot of taxes. So people can people can get that. I mean, I made an effort, I mean, I was writing my story. I did this big story back in 2020 and that was for a general audience and well, first of all, I think the secrecy around tax administration is one thing that is sort of a hindrance like, it's just really hard to write about this in a way that's engaging at all because there's so little public detail. And the only thing that made it possible for me to write that story was this fight that they had in court of these, of the summon and not only does that make a lot of stuff public that wouldn't otherwise be public, but also the IRS and the Department of Justice are making arguments to a district court judge who is not a tax judge. And so they're writing in a way that is geared towards a, you know, a smart lay person as opposed to a tax judge, like if you read pleadings in tax court, I mean, I've covered this stuff for a while now, I'm not a tax lawyer. It takes a while to get through, like, what are they even saying here? Right? Cause they're just throwing statutes around and things like that. So it was only because this kind of rare case spilled into public view that I was able to write, you know, a story that people could follow.

A lot of times it just happens, you see the result. The only reason you see the result is if it's a public company and they'll just say like what had happened, but they're allowed to keep those details quite secret. And that aspect has never really made a lot of sense to me is the public companies that are divulging all sorts of details to investors, but their taxes, they have a lot of leeway and their taxes are secret essentially, their tax return is like sanctified, you can't know that, but here's, here's hundreds of pages of financials about this company. It's like sort of ridiculous. So I think that is actually another aspect of it is there's so few stories to tell because everything is secret. So, I mean, the idea is broadly popular of corporations paying more in tax, the rich paying more in tax, but the details are obscure to the point where it's hard to sort of engage the public on it, I think is one big aspect of it.

Microsoft, it's a big, complicated case. It's going to be an appeal, it's going to be private, it's going to be outside of the public eye and then if they, if they don't get, if Microsoft does not get the answer they want in appeals, then they will go to tax court, which is public. And that itself will take more time.

So so, you know, there's always more to be done and you just have to fund the agency and have them hire capable people. You know, good things can happen.

Naomi Fowler: Yes, they can! You've been listening to the Taxcast from the Tax Justice Network. Next month, we'll bring you a fly on the wall, blow by blow account of that historic vote at the United Nations to completely change how global tax rules are decided. We'll look at the attempts to block it and the politics behind the votes for, against and the abstentions. For more Taxcasts go to www.thetaxcast.com Thanks for listening. Bye for now.