

Excerpts from GE's response to *New York Times*' David Kocieniewski re: GE Taxes

Q: How GE has reduced its effective U.S. tax rate in recent years?

A: GE's consolidated tax rate was lower than usual in 2008-2010 due to the impact of the global financial crisis on GE Capital. Sizable Capital losses during the downturn reduced overall GE income in the U.S. and other high-tax countries. (If you exclude GE Capital, GE's tax rate has been about 21% from 2006-2010.)

Additionally, since tax on domestic U.S. earnings is generally higher than that on our foreign income, the rate in a given year is affected by our global earnings mix; the extent to which global earnings are indefinitely reinvested outside the United States; and the impact of legislation, acquisitions and dispositions, among other things.

Finally, settlements of issues raised in routine tax audits can affect our tax provision. For example, in 2010 our consolidated income tax rate was reduced almost 6 points due to global audit settlements.

Q: How and why is there an apparent disparity between GE's overseas revenues and profits that has grown over the past two decades?

A: As previously noted, GE Capital suffered sizable losses in the United States during the financial crisis that reduced our income in the U.S. in 2008-2010. This had the effect of increasing the percentage of income outside the U.S. relative to revenues outside the U.S.

GE has become a much more global company over the past 20 years, as reflected in the percentage of our global revenue and income. While GE has been and continues to be one of America's leading exporters, competing globally often requires a local presence and, in many cases, local business partners. As this non-U.S. activity increases, overseas profits increase. The need for a local presence is particularly true in financial services businesses as the provision of financial services is inherently a local business (to make loans, sell insurance, provide credit, or lease machinery, a financial services business has to be where its customers are). Financial services represent a large part of the change in GE's global operations over the past 20 years.

Q: How has the increase in deferred profits indefinitely invested offshore affected the company's decisions about where to expand and hire?

A: Decisions about where to invest, expand and hire are driven by non-tax factors, such as the need to service customers locally. We believe that winning in markets outside the United States increases U.S. exports and jobs. If U.S. companies aren't competitive outside of their home market, it will mean fewer not more jobs in the United States, as the business will go to non-U.S. competitors. Non-U.S. activity isn't a substitute for U.S. activity.

Q: Describe the role GE lobbyists played in shaping the in 2004, and the successful effort in 2008 to preserve the active financing exemption.

A: The active financing exception permits U.S. financial services companies to compete with foreign banks and other foreign financial institutions on a level playing field, which is good for the U.S. as the business would otherwise go to foreign competitors who do not face home country tax on similar income. The active financial services rule supports thousands of U.S. jobs in the financial services sector and also supports U.S. manufacturing jobs by financing exports of U.S. manufactured goods.

This is a provision that is important to virtually the entire U.S. financial services sector, and is not specific to GE. Our lobbying strategy, along with that of other financial services companies, is to provide congressional decision makers and staff with accurate, policy-based explanations of the effects of various policy alternatives.

Q: Describe donations by the GE Foundation to charities purported to be associated with members of Congress who determine tax policy, including former Rep. Charles Rangel?

A: The GE Foundation is a separate legal entity with an entirely independent decision-making process from Company political contributions. We do not use the GE Foundation to target funding for charities associated with congressional members and the Foundation goes to great lengths to

ensure grant decisions are not influenced by Company government relations or lobbying priorities. The GE Foundation's grants to schools, health centers, and thousands of other charities are made based on employee giving or as part of our signature programs, Developing Futures and Developing Health, which promote education and healthcare in underserved communities.

GE Foundation grants are disclosed annually on the Form 990 filed with the IRS. Separately, since 2009, GE has been legally obligated to report biannually any Company direct contributions to charities honoring members of congress or senior administration officials, or where those same people are on the board of the non-profit.

Q: How does the deferral on offshore leasing income affect GE Capital Services tax liability on profits earned by leasing (jet planes engines, etc.) to companies in the U.S.?

A: Deferral on offshore leasing income from leases to U.S. companies has no significant effect on GE Capital's tax liability. Overseas leasing income from leases of aircraft predominantly used in the United States is not eligible for deferral under US tax law. Similarly, overseas leasing income from leases to U.S. customers is not eligible for deferral under AFE.

Q: Your 10K filings since 2005 show:

- **GE has reported \$26 billion in domestic profits yet its cash taxes paid in the U.S. amount to a rebate of \$4.1 billion from the Treasury.**
- **GE has amassed tens of billions in profits offshore to defer paying U.S. taxes and reduced domestic employment while increasing its workforce overseas.**

A: This is not a correct reading of the 10-K. As disclosed in the cash flow statements of the 10-K, we paid over \$14 billion of income taxes to governments around the world over the past 5 years. Individual country tax payments are not disclosed, but we did not receive a net rebate from the U.S. Treasury over this period, and in fact paid substantial income taxes to the U.S. Treasury during this period. [There is information in the 10-K about the company's U.S. current and deferred tax provision. The current tax provision is a book accounting concept and for reasons including non-cash adjustments for prior periods and allocation of taxes to other than continuing operations, is not the same and can be quite different than a company's cash income tax liability.]

In addition to corporate income taxes, GE pays many other taxes, including payroll taxes on the wages of our employees, property taxes, sales and use and value added taxes. These so-called "indirect" taxes are accounted for as part of GE's operating expenses but are a significant source of funding for U.S. federal, state and local and foreign governments.

GE is one of the nation's largest employers and exporters of manufactured goods. Coming out of the crisis, we have announced 6,300 new U.S. manufacturing jobs and will add additional jobs in the United States this year, including nearly 6,000 more U.S. jobs through acquisitions. The growth in our non-U.S. employment reflects the growth in global economies like Brazil and India and does not come at the expense of U.S. jobs. In fact, adding GE jobs outside the U.S. help support jobs in the U.S. – more than 20,000 GE jobs in the U.S. are directly related to exports.]

Q: GE has been criticized for spending millions of dollars on lobbyists to shape U.S. tax policy in a way that benefits the company and reduces revenue to the treasury. Response?

A: GE's policy is to provide Congressional decision makers and staff with full, balanced and accurate, policy-based explanations of the effects of various legislative and policy alternatives. We do not lobby for provisions that we do not think have a sound policy rationale.

Q: GE and its lobbyists were purportedly involved in the crafting of the American Jobs Creation Act, which made several changes to the corporate tax code. Any response to that?

A: The American Jobs Creation Act dealt with a variety of items that were important to GE and other U.S. companies that compete in global markets, including the enactment of tax provisions intended by Congress to replace the tax incentive for U.S. exports (ETI) that had been found in violation of WTO rules. As one of the country's largest exporters, we provided Congressional

policy makers and staff with accurate, policy-based explanations of various tax policy alternatives that could replace the ETI regime and that would increase U.S. exports.

Q: Since the American Jobs Creation Act was signed into law, its tax provisions have allowed GE to cut its US tax liabilities, yet the company has cut employment in the U.S. and added workers abroad. Why?

A: At the end of 2010, GE had 133,000 employees in the U.S., making it a top American employer.

While the 2010 GE employment level is a reduction of about 25,000 U.S. jobs since 2001, this is primarily due to the impact of the global financial crisis (4,000 from GE Capital- consistent with industry) and strategic business dispositions (~33,000- positions that were not eliminated but rather acquired by successor companies). GE's global operations support thousands of U.S. jobs at both GE and our domestic suppliers.

Q: Did officials at GE or the GE Foundation discuss with Rep. Rangel a possible donation to Harlem Schools?

A: Neither GE nor the GE Foundation discussed with Congressman Rangel or his staff the grant to New York City schools *before* the GE Foundation decided to make the grant.

The GE Foundation provided significant support for public education, with a particular emphasis on public school systems in cities and states where GE has long had a presence. In the case of the GE Foundation's contributions to New York City Schools, on at least one occasion Jeff Immelt and Congressman Rangel discussed ways the Foundation could participate in the City. Similar conversations also took place with a number of local NYC officials and school system personnel including Joel Klein, the then Chancellor of the NYC Schools and culminated with the announcement of the \$17.9 million multi-year award to the NYC Schools in 2008.

Congressman's Rangel's public positions on tax policy before and after the grant did not align with GE's interests. In fact, Congressman Rangel introduced tax legislation in 2008 that GE strongly opposed.

Q: Did any of the conversations with Mr. Rangel about a possible GE Foundation donation ever include discussion about the tax issues GE had pending before the Ways and Means Committee?

A: No. There was never a conversation about a donation that included a discussion of tax issues that GE had pending before the Ways and Means Committee.