

NATIONAL FUEL **BIG PROFITS TINY TAXES**

National Fuel is the gas utility for Western New York, and its subsidiary Seneca Resources is also a major fracker in the Marcellus Shale. Despite being a highly profitable company, National Fuel has an extremely poor record of paying taxes.

HOW DID THEY DO IT?

Depreciation. National Fuel reduces its tax bill primarily through deferrals derived from aggressive “accelerated” depreciation of property, plant and equipment. This benefit is somewhat larger on the federal level due to a tax break called “bonus depreciation.”

Lobbyists: \$400,000+ a year

At the federal level, National Fuel spends \$400,000 per year on lobbying efforts aimed at influencing legislation related to issues such as hydro-fracking, LIHEAP, and taxes. National Fuel lobbied on the issue of the dividend tax cut extension in 2010. At the state level, National Fuel retains the lobbying firm of Masiello, Martucci, Calabrese, & Associates to lobby on a range of issues.

Accountants: \$1.7 Million

National Fuel paid auditing firm PricewaterhouseCoopers \$1.7 million in 2011, including \$140,000 for “tax advice and planning” and “tax compliance,” including “consultations on various federal, state and foreign tax matters.”

If National Fuel paid the federal income tax rate of 35% from 2009-2011, they would have paid an additional \$359 million in federal income taxes.

Politicians: \$400,000+

On the state level, in the last two election cycles National Fuel’s PAC and top execs made \$287,547 in contributions to New York State politicians. On the federal level, National Fuel’s PAC has already donated \$121,400 to politicians in the past two cycles.

If National Fuel paid the New York State rate, the company would have paid an additional \$63 million in state income taxes from 2009 to 2011.*

NATIONAL FUEL’S TAX DODGING BY THE NUMBERS

NATIONAL FUEL PRE-TAX US PROFITS, 2009-2011:		\$1.1 billion
NATIONAL FUEL’S STATE INCOME TAX BILL, 2009-11	\$14.2 million	NATIONAL FUEL’S FEDERAL INCOME TAX BILL, 2009-11
		\$28.8 million
NATIONAL FUEL’S STATE INCOME TAX RATE, 2009-11	1.27%	NATIONAL FUEL’S FEDERAL INCOME TAX RATE, 2009-11
		2.56%
NY STATE CORPORATE INCOME TAX RATE	6.2%	FEDERAL CORPORATE INCOME TAX RATE
		35%
NYS INCOME TAX RATE FOR A FAMILY OF FOUR MAKING \$58,000	4.1%	FEDERAL INCOME TAX RATE FOR A FAMILY OF FOUR MAKING \$58,000
		8.91%

COMBINED INCOME TAXES*

NATIONAL FUEL PRE-TAX WORLDWIDE PROFITS, 2009-2011	\$1.1 billion
2009-11 INCOME TAXES PAID	\$8.5 million
2009-11 TOTAL INCOME TAX RATE	0.76%
2011 COMBINED INCOME TAXES PAID	-\$63.1 million
2011 COMBINED INCOME TAX RATE	-15%

Sources: National Fuel 2011 annual report: consolidated statements of operations, cash flow statement, and income tax notes.

* Combined figures (including foreign income taxes) are in some ways the most reliable because the cash flow statement reports total “income taxes paid.” If a company is especially aggressive in taking tax breaks, it might report a higher figure for taxes owed in its income tax notes than what it actually paid, reported in the cash flow statement.

NEW YORKERS BENEFITTING FROM NATIONAL FUEL'S TAX SCHEMES

David F. Smith

Chairman & CEO, National Fuel
Chairman, Business Council of New York State

\$6.96 million in 2011, or
\$3,480 per hour

Extracurriculars

Smith was elected chair of the Business Council of New York State in 2011. Smith blamed taxes for keeping executives away from New York State in one of his first public statements as Business Council chair. Smith was previously chair of Buffalo Niagara Enterprise (BNE). During his tenure, BNE was the single biggest recipient of National Fuel economic development grants, which are funded directly by ratepayers.

Homes

Smith owns a \$581,000, 4,300 square foot house in Clarence, NY and a \$1.5 million, 3,600 square foot house in Scottsdale, AZ.

Anna Marie Cellino

President of the Utility

\$2.95 million in 2010, or
\$1,475 per hour

Recession fortune

Cellino's pay has tripled since 2008, when she was named president of National Fuel's gas utility segment.

Homes

Cellino owns many properties in the Buffalo area, including an 8 acre spread on Orchard Park Road in West Seneca, another 8 acres in Eden, a 6.5-acre estate on Old Lake Shore Rd overlooking Lake Erie (6 bedrooms, 4 baths, 4 fireplaces), and another 1.3-acre plot on Old Lake Shore Rd.

OTHER TOP EXECUTIVES

Ron Tanski

President & coo

\$4.73 million in 2011, or
\$2,365 per hour

Matthew Cabell

President, Seneca
Resources

\$2.4 million in 2011, or
\$1,200 per hour

David Bauer

Treasurer & Principal
Financial Officer

\$771,000 in 2011 or
\$385.50 per hour

Total: **\$17.8 million** in 2011 compensation
for five executives

SOURCES:

National Fuel Open Secrets federal lobbying summary: <http://www.opensecrets.org/lobby/clientsum.php?id=D000027849&year=2011>

National Fuel Open Secrets PAC page: <http://www.opensecrets.org/pacs/lookup2.php?cycle=2012&strID=C00083758>

National Fuel 2011 proxy statement: <http://www.sec.gov/Archives/edgar/data/70145/000119312512018016/d257938ddef14a.htm>

National Fuel 2011 annual report: <http://www.sec.gov/Archives/edgar/data/70145/000119312511321222/0001193125-11-321222-index.htm>

"Smith Sees Opportunity for Biz Council," *Albany Business Review*: <http://www.bizjournals.com/buffalo/news/2011/09/23/smith-sees-opportunity-for-biz-council.html>

Common Cause report: "Connect the Dots: National Fuel, Power Player in New York State," <http://www.commoncause.org/atf/cf/%7BF83C17E2-CDD1-4DF6-92BE-BD4429893665%7D/CONNECT%20THE%20DOTS%20-%20NationalFuelFINAL.pdf>

THE BUFFALO NEWS

"[The] Sopranos Sets Tone for National Fuel"

—October 7, 2010

TAX FAIRNESS AND TAX REFORM ARE GOOD FOR NEW YORK

Governor Cuomo and the Legislature did right by New Yorkers last year when they made the Personal Income Tax more progressive and more fair with a new Millionaires Tax and middle-class tax cuts.

We need to keep it going in 2012: reform corporate taxes to close loopholes and stop the special deals for big business and the 1%.

New York shouldn't cut programs for the poor, slash pensions for workers, stop services for seniors and cut colleges if we can close corporate loopholes and enforce tax laws as an alternative.

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