



# Oh, for haven's sake!

**1. When a U.S. corporation forms a shell and reincorporates in Bermuda:**

- a. Its tax bill drops dramatically as it no longer pays U.S. corporate taxes on foreign income.
- b. Shareholders cannot file class action lawsuits.
- c. Bermuda does not enforce U.S. court judgments against its companies.
- d. All of the above.

**2. What's that bad smell?**

- a. Enron had 881 "subsidiaries" abroad, including 692 in the Cayman Islands and 8 in Bermuda.
- b. Enron paid no U.S. income taxes in four of the past five years.
- c. The IRS estimates that offshore reincorporations cost the U.S. Treasury \$70 billion in tax receipts annually.
- d. All of the above.

**3. A Bermuda P.O. box lets a firm cut taxes on domestic profits when the Bermuda shell "loans" capital to the U.S. subsidiary so the interest becomes tax deductible. Who said, "The improvement on earnings is powerful enough to say that maybe the patriotism issue needs to take a back seat to that"?**

- a. Benedict Arnold
- b. Gordon Gekko
- c. Eddie Haskell
- d. An Ernst & Young tax partner

**4. Troubled conglomerate Tyco International—producer of valves, garbage bags, and security alarm systems—has its U.S. headquarters in Exeter, N.H., but has called Bermuda its legal home since 1997. How many of its 240,000 employees reside in Bermuda?**

- a. Depends if one can reside "in spirit."
- b. When the law defines a corporation as a "fictitious person," it sort of means there can be "fictitious towns" and "fictitious employees" and "fictitious timecards" and "fictitious office parties" and . . . well . . . the law is simply too complex to go into here.
- c. What was the question again?
- d. Two employees.

**5. Complete the analogy. Just as a ship captain stands steadfastly at the helm, Tyco CEO L. Dennis Kozlowski:**

- a. Steadfastly lives in Bermuda, even though he owns a house in Rye, N.H.
- b. Steadfastly lives in Bermuda, even though he owns a summer house in Nantucket, Mass.
- c. Steadfastly lives in Bermuda, even though he owns a house in Boca Raton, Fla.
- d. Uses the corporate equivalent of a merchant ship's Panamanian registry, while rotating among three U.S. abodes.

**6. Rep. Richard Neal, a Massachusetts Democrat, has introduced the Corporate Patriot Enforcement Act, prohibiting U.S. firms that flee the taxman from turning around and receiving contracts from the same federal government they so resent paying for. The bill, which has a couple of Republican cosponsors, addresses:**

- a. Tyco, which now holds more than \$1 billion in government contracts, including a \$100 million contract for terrorism emergency response services.
- b. Accenture, formerly the consulting arm of Arthur Andersen, which "moved" to Bermuda last year and has more than \$1 billion in government contracts, including a five-year contract to redesign the Internal Revenue Service Web site.
- c. Foster Wheeler, a construction firm that was among the U.S. corporate refugees washing ashore on Bermuda last year and which has \$600 million in federal contracts.
- d. All of the above.

**7. Over in the Senate, the Reversing the Expatriation of Profits Offshore Act was introduced last month by:**

- a. Naderites who think they know everything about Tyco's 1,000 offshore subsidiaries without taking the time to visit each . . . ah . . . post office box.
- b. Ignoramuses who don't appreciate the ingenuity of our tax system, which has cut the corporate share of income tax

revenues from 40 percent in the 1950s to 17 percent now.

- c. Busybodies who should row themselves to Cuba, where they'll be happiest.
- d. Sens. Chuck Grassley of Iowa and Max Baucus of Montana.

**8. Trying to keep one jump ahead of this legislation is Stanley Works, a tool company whose shareholders will vote this week on a proposal to remake itself into a Bermudan corporation, thereby saving \$30 million annually in taxes. Would the move require Stanley, founded in 1843, to change the "made in America" motif it has used in the past?**

- a. Naw. The company was founded in New Britain, Conn., which sounds like a British dependency, doesn't it? Moving to Bermuda would be like returning "home."
- b. Naw. Keep the catalog's silhouette of the continental United States, covered by the U.S. flag, and simply add a microscopic dot off to the east.
- c. Naw. In Bermuda, the company is now judgment-proof from U.S. courts!
- d. All of the above.

Answers: d. in all cases.

