

Dan Hynes, A Champion For Illinois Working Families!

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Payments to Bermuda-based Company blocked

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SPRINGFIELD -- [State Comptroller Dan Hynes](#) blocked \$2 million in state payments Monday to Bermuda-based Accenture Corp. and asked a state panel to determine whether Illinois should contract with companies that locate offshore to soften their tax burdens.

Hynes' move comes two months after the Chicago Sun-Times reported on an \$11 million state contract Accenture won from Gov. Blagojevich's administration despite the governor's tough talk against corporations that based their operations in foreign tax havens.

"For me, the issue is simple. It's an issue of fairness and, in some ways, patriotism," Hynes said. "I don't think companies that take advantage of loopholes to avoid paying their fair share of taxes should be rewarded with state contracts."

The comptroller plans this month to seek a ruling from the state Procurement Policy Board on whether so-called expatriate corporations get an unfair advantage when bidding for state business because they aren't paying "their fair share of taxes."

The panel can only offer advisory opinions on such questions, but a finding in Hynes' favor would amount to a public relations coup and lend momentum to **legislation that stalled last week in the Illinois Senate seeking to ban the state from doing business with expatriate firms.**

Accenture, which denies it is an expatriate corporation, is awaiting payment on four contracts worth slightly more than \$2 million. The largest of those vouchers is worth \$1.75 million and represents the first payment on the \$11 million computer and telecommunications consulting deal Accenture landed with the Blagojevich administration.

A company spokesman stopped short of criticizing Hynes' actions but said it is entitled to the payments.

"Clearly, the work was done and was performed satisfactorily and in compliance with the contract, and we'd expect to be paid for our work," Accenture spokesman Jim McAvoy said.

McAvoy insisted his company, which employs 4,100 workers in Illinois, is a "taxpayer in good standing." But he fended off repeated questions from the Sun-Times over exactly how much the firm pays in taxes to state government.

"I can't see a reason why we should release that since we do pay our taxes," he said.

Becky Carroll, a spokeswoman for **Blagojevich's budget office, condemned Hynes' move, saying it could imperil savings expected from Accenture's consulting work.** The Blagojevich administration predicted its deal with Accenture could save the state \$200 million over three years through the streamlining of state computer and telecommunications systems.

"The result of this action could lead to devastating impacts on the budget," Carroll said of Hynes' move. "Would he consider or favor cutting dollars for education or health care or increasing the income tax?"

Carroll also said the administration's contract with Accenture required the firm to pay state taxes, language that ensures the company is not an expatriate.

Accenture's hiring raised eyebrows earlier this year. Michael Rumman, Blagojevich's head of Central Management Services, which awarded the contract, was a former paid utility adviser for Accenture. And **the firm is represented in Springfield by the lobbying company co-owned by David Wilhelm, a campaign adviser of the governor's and member of his "kitchen Cabinet."**

Contributing: AP

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Hynes Blocks Accenture Payments

CHICAGO: State Comptroller Dan Hynes today said his office will halt payment of four state contracts recently submitted on behalf of Bermuda-based Accenture Corp. pending a recommendation by the Procurement Policy Board regarding their propriety.

Further, in a letter delivered to the Board today, Hynes asked for clarification whether the state should do business with expatriate corporations. "These expatriate corporations, by avoiding their fair share of taxes, gain an unfair advantage over corporations that do not expatriate when competing for contracts with State of Illinois agencies, thereby undermining the competitive bidding process," said Hynes in the letter.

"Substandard corporate governance models and accounting practices may impede an expatriate corporation's ability to do business with State agencies in a manner required

by state law and sound contracting practices, including limiting an agency's ability to enforce its contract rights or enforce judgments against the expatriate corporation as the result of corporate expatriation," Hynes continued in the letter.

The move follows a decision last week by the Senate Executive Committee to send to a sub-committee a bill drafted by Hynes that prohibits corporate expatriates from doing business with the state. The bill, which passed the House last February by vote of 113-0, also closes a loophole in the Illinois tax code that allows corporations to shift profits to overseas tax havens to avoid paying taxes in Illinois.

Accenture is currently waiting to be paid on four contracts totaling slightly over \$2 million. One of those contracts, for \$1.75 million, is phase one of an \$11 million award to Accenture that has been announced by the administration for information technology consulting.

In a separate action, Hynes also wrote a letter to CMS and GOMB, asking them to stop work on all state current contracts with Accenture until the Procurement Board has taken up the issue.

The Procurement Policy Board, which is chaired by Terrence M. Healy, is charged with the responsibility to review, comment upon, and recommend the procurement practices of State of Illinois agencies. "This is a policy board and I am asking them for a policy decision," said Hynes. "The issues here are threefold: do offshore corporations enjoy competitive advantages not intended by the state's procurement practices; does the state assume increased risks in enforcing its contract rights or judgments against an expatriate corporation; and as a matter of policy, should Illinois be giving contracts to corporations that don't pay their fair share of state taxes."

"This is a matter of tax fairness," said Hynes. "Every corporation should pay what it fairly owes in taxes, just as every individual taxpayer is expected to do. When a small number of corporations take advantage of the system, they are simply shifting a higher tax burden onto individuals, small businesses and the majority of corporations that do not avoid tax payments. Their actions should not be rewarded with state contracts, and that includes Accenture."

Hynes has asked that his office be permitted to address the five-member board at their May meeting. At that time, he will ask the board to recommend that the Accenture contracts be voided and that the state adopt a policy of not doing business with expatriate corporations. The board members are appointed, one each by the four legislative leaders and one by the governor. Healy was appointed by Governor Rod Blagojevich. Two of the other members were appointed by Democrats, two by Republicans.

Hynes noted that Accenture, in its efforts to neutralize his corporate expatriate bill, claimed that the company is not an expatriate corporation because it was never an American company. "But their own filings last year with the Securities and Exchange Commission make it clear both that they are a Bermuda-based corporation and that they

have ties to the Chicago-based former Arthur Andersen Consulting Company. Those same filings also very clearly spell out company fears that legislation such as mine would compel them to pay more taxes.”

At least eight other states have enacted or are in the process of considering measures similar to the Hynes bill, HB4194. North Carolina has passed a law making companies that incorporate in a foreign tax haven ineligible to do business with the state. A similar bill became law in California. Montana has revised its tax code to capture the income sheltered in offshore tax havens. Other states considering a crack down include Ohio, Massachusetts, Minnesota, Pennsylvania and Texas.

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