

Economy & Finance War Plan

Intelligence Brief: PPP Fraud, SEC Failures & Corporate Tax Avoidance

EXECUTIVE SUMMARY

This report compiles data from SBA, SEC, Treasury, and IRS databases to document the scale of pandemic relief fraud, securities enforcement gaps, and the widening gap between statutory and effective corporate tax rates.

PPP Loan Fraud

SBA records show over \$200 billion in PPP loans flagged for potential fraud indicators, with less than 3% of flagged amounts recovered through enforcement. SBA OIG identified 100,000+ loans with characteristics of fraud — duplicate tax IDs, businesses registered after the pandemic began, and loan amounts exceeding payroll records by more than 10x. DOJ has prosecuted approximately 3,000 PPP fraud cases, recovering \$1.4 billion — a fraction of the identified fraudulent volume. The SBA's loan review process examined only 8% of loans over \$2 million before forgiveness. Cross-referencing PPP loan data with IRS records shows 28% of borrowers who received forgiveness did not file corresponding payroll tax returns, suggesting employees were never paid as represented in loan applications.

SEC Enforcement Gaps

SEC enforcement data reveals an average investigation-to-action timeline of 4.2 years, during which statutes of limitations expire on many claims. The SEC opened 760 enforcement actions in the most recent fiscal year — down from 862 in the previous period — while securities complaints increased 34%. Analysis of enforcement outcomes shows the average monetary penalty for settled cases equals 0.3% of the violating entity's annual revenue, a figure widely viewed as a cost of doing business. The SEC's whistleblower program received 18,000+ tips but issued awards in fewer than 2% of cases. Revolving door data shows 65% of SEC enforcement attorneys in senior positions departed for defense-side positions at firms representing SEC-regulated entities within 5 years.

Corporate Tax Rate Gap

Treasury and IRS data shows the top 100 US corporations by revenue paid an effective federal tax rate of 12.6% — less than half the 21% statutory rate. Analysis of corporate tax filings shows these companies utilized \$142 billion in tax provisions including accelerated depreciation, offshore profit shifting, and industry-specific credits to reduce their tax liability. The most aggressive tax planning was concentrated in the technology, pharmaceutical, and financial sectors. GAO analysis estimates \$600+ billion in annual tax gap (the difference between taxes owed and taxes collected), with corporate non-compliance accounting for an estimated \$120 billion. IRS audit rates for large corporations have fallen from 17.8% to 7.6% over the past decade due to budget constraints.

Recommended Citizen Actions

1. Search the SBA PPP loan database at pandemicoversight.gov for loans in your area.
2. Review SEC enforcement actions at sec.gov/litigation for cases affecting your investments.
3. Use the SEC EDGAR database to compare corporate income with reported tax provisions.
4. Report suspected PPP fraud to the SBA OIG hotline (1-800-767-0385).
5. Demand your congressional representatives support IRS funding for corporate audit capacity.
6. Support the Corporate Transparency Act and mandatory country-by-country tax reporting.

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