

US Tax Day 2019: Sixty giant corporations pay zero income tax

By Patrick Martin
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Dozens of giant US corporations, including 60 of the Fortune 500, used deductions, credits and other tax loopholes to avoid paying any federal income tax for 2018, according to an analysis issued by the Institute on Taxation and Economic Policy (ITEP). The report was published April 11, just in time for the April 15 deadline for most American working people to file their tax returns.

The 60 companies in the Fortune 500 who paid no federal income tax had net incomes just from US operations of nearly \$80 billion (\$79,025,000,000, to be exact). They include such household names as Amazon, Chevron, Deere, Delta Air Lines, General Motors, Goodyear, Halliburton, Honeywell, IBM, Eli Lilly, Netflix, Occidental Petroleum, Prudential Financial and US Steel.

Meanwhile, millions of moderate-income families are finding that their income taxes have either increased or their expected tax refunds have evaporated because of restrictions on the itemization of tax deductions, the imposition of a \$10,000 cap on state and local tax deductions and a cut in the mortgage interest deduction.

Nearly all of the 60 companies that paid no taxes qualified to receive a refund from the US Treasury, although most will not collect a check, instead using the credit to offset future taxes. But whatever the bookkeeping process, American taxpayers are effectively *paying money to them*, despite their vast profits. The biggest refunds include those going to Prudential, \$346 million (added to its \$1.44 billion in profits); Duke Energy, a whopping \$647 million (added to \$3.02 billion in profits); and Deere, \$268 million (added to \$2.15 billion in profits).

Among the report's most outrageous findings:

Amazon more than zeroed-out its tax bill on \$10.8 billion in profits, making use of accelerated

depreciation deductions on equipment as well as favorable tax treatment of stock-based compensation for executives like CEO Jeff Bezos, the wealthiest man in the world. The stock compensation deduction alone was worth \$1 billion. Amazon will actually show a credit of \$129 million from the US Treasury, not paying one cent in federal income taxes.

IBM is another corporate giant that has gamed the tax system by shifting earnings to its foreign operations to escape US taxation. The company reported worldwide profits of \$8.7 billion, but only \$500 million in the United States. It will reap a \$342 million credit from the Treasury.

Delta Airlines accumulated \$17.1 billion in federal pre-tax net losses as of 2010, partly as a consequence of a protracted crisis of the airline industry, partly as a result of the 2008 Wall Street crash. It has used these losses as well as the accelerated depreciation credit for purchase of new planes to “dramatically reduce their tax rates,” according to the ITEP report, receiving a credit of \$187 million in 2018 despite net profits of more than \$5 billion. According to Delta's chief financial officer, the actual tax rate the company expects to pay going forward is between 10 and 13 percent, far below what a typical Delta worker pays on his or her income.

EOG Resources, a renamed remnant of Enron, perpetrator of the biggest corporate fraud in American history, can collect \$304 million from US taxpayers on top of \$4.07 billion in profits.

For one company, the federal tax refund would actually exceed net profits. **Gannett** made a \$7 million profit, while showing an additional \$11 million credit from the Treasury, giving the newspaper publishing giant an effective tax rate of negative 164 percent.

IBM's tax rate was a negative 68 percent, while

software maker Activision Blizzard and construction company AECOM Technology both posted effective tax rates of negative 51 percent.

Sixteen of the 60 companies made more than a billion dollars in net income on their US operations, to say nothing of foreign subsidiaries. Oil and gas producers and utilities comprised more than one-third of the total, led by Chevron and Occidental among the oil companies, and DTE Energy, American Electric Power, Duke Energy and Dominion Resources among the utilities.

The 60 companies profited enormously because the Trump tax cut bill cut the basic rate for corporations from 35 percent to 21 percent, while not eliminating the loopholes they had previously used to keep their taxes low. They had the best of both worlds, paying lower rates while still enjoying loopholes.

Overall, according to the Joint Committee on Taxation, an arm of Congress, the cut in the corporate tax rate alone will pump \$1.35 trillion into the pockets of the corporations over the next 10 years. For this year alone, corporate taxes have been cut by 31 percent.

For the 60 companies in the ITEP report, “Instead of paying \$16.4 billion in taxes, as the new 21 percent corporate tax rate requires, these companies enjoyed a net corporate tax rebate of \$4.3 billion, blowing a \$20.7 billion hole in the federal budget last year.”

This figure by itself is an irrefutable answer to all the bogus claims—made to workers in every part of the United States—that there is “no money” to pay for needed social programs, for wage and benefit increases, or to hire additional workers to reduce overwork and understaffing. The \$20.7 billion would pay for a \$7,000 bonus to every public school teacher in America.

The bonanza that these 60 corporations are enjoying is three times the amount that Trump proposes to cut from the budget of the Department of Education. It is 10 times the total amount budgeted for the Bureau of Indian Affairs, which provides services for more than 2 million Native Americans. It is nearly 20 times the budget of the Occupational Safety and Health Administration, which conducts workplace safety inspections.

The ITEP report, issued by a group with close ties to the Center on Budget and Policy Priorities, a liberal Washington think tank, warns of the explosive political consequences of the corporate plundering of the

Treasury. “The specter of big corporations avoiding all income taxes on billions in profits sends a strong and corrosive signal to Americans: that the tax system is stacked against them, in favor of corporations and the wealthiest Americans,” the report says.

At the same time, the tax cuts for big business are fueling the federal deficit, which will be used by both Democratic and Republican politicians to call for further cuts in social spending. The February monthly federal deficit hit an all-time high of \$234 billion this year, as a result of a 20 percent drop in corporate tax revenue. The deficit for the first half of 2019 is projected at \$961 billion, and the deficit for the fiscal year ending September 30 is expected to reach \$1.1 trillion, as bad as the deficits posted in the immediate aftermath of the 2008 financial crash.

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