Report finds US corporations paid “zero to negative” income tax rate in 2018

By Jessica Goldstein
18 December 2019

Three hundred and seventy-nine highly profitable Fortune 500 corporations in the United States paid an average effective federal income tax of just 11.3 percent in 2018 as a result of the Tax Cuts and Jobs Act signed into law by President Donald Trump in December of 2017. This was one of the key findings of a report published Monday by the nonprofit tax policy organization, the Institute on Taxation and Economic Policy (ITEP).

The report also found that more than half of the 379 companies, or 195, paid less than half of the new statutory corporate tax rate of 21 percent. Fifty-six companies paid effective tax rates of between zero and 5 percent in 2018. Ninety-one highly profitable corporations paid zero or less (negative) income tax in 2018.

The report explains that negative corporate tax rates can occur “because a corporation carries back excess tax deductions and/or credits to an earlier year or years and receives a tax refund check from the US Treasury Department.” In total, these highly profitable corporations received $6.29 billion in tax rebates.

The Trump plan was passed without any serious opposition from Democratic lawmakers, who voted against the bill but refused to appeal to or mobilize popular opposition to it, knowing that the measure would pass in both the House and Senate, which at the time were both under Republican control. The Democrats openly supported a somewhat smaller tax windfall for corporations, along the lines of a bill introduced under the Obama administration.

The cut in the corporate tax rate to 21 percent was a decrease of 40 percent from the previous 35 percent rate. That some of the most profitable corporations paid so much less than this already lowered rate was, according to the report, “by design,” a result of loopholes in the 2017 tax law that affected the overall tax rate.

According to ITEP, just 25 companies accounted for over half of the federal tax subsidies doled out at the expense of the working class. Many of those 25 include financial giants such as JPMorgan Chase and Bank of America, and other monopolies like Wal-Mart, Comcast and AT&T.

Loopholes include accelerated depreciation, which allows companies to take larger upfront write-offs on the expected wear and tear of newly purchased equipment, and special deductions for the stock options included in executive compensation packages.

The corporations that were allowed to get away with paying zero or negative federal income tax rates include:

* Starbucks Corporation, which reaped $4.774 billion in profits in 2018 and received a $75 million tax rebate, effectively paying -1.6 percent in taxes. The corporation is notorious for paying workers low wages, forcing them to work unhealthy schedules and fostering an abusive and hostile work climate.

One worker wrote recently about his experience at Starbucks on the job review website indeed.com: “Terrible company with terrible leadership, can’t pay a living wage to their employees, all they do is threaten their managers, handicap them from doing their jobs, and make as much money as possible over the safety and well-being of their employees and customers. They don’t actually care about the experience, they just want money.”

* Amazon.com, which took in $10.84 billion in profits and was taxed -1.2 percent in 2018. The corporate giant received a $29 million rebate primarily due to a loophole in the tax code for treatment of stock options for executives.

Amazon's CEO Jeff Bezos is currently the richest man in the world with a personal net worth of over $113 billion. The monopolistic corporation makes much of its profits through a web of warehouses worldwide where highly exploited workers are under constant surveillance. The company spies on employees and tracks their every move. Under physically demanding conditions, workers are paid just barely enough to survive. Many Amazon workers are homeless.

* FedEx, with $2.31 billion in profits in 2018, was taxed at an effective rate of -4.6 percent and received a rebate of $107 million. FedEx makes its profit off of a highly exploited global workforce that faces many of the same precarious and dangerous working conditions as UPS workers. The Teamsters union isolated the UPS workers from the FedEx workers and rammed through a sellout contract in 2018 despite a vote by the Teamsters rank and file against the contract.

* General Motors, which recorded $4.32 billion in profits in 2018, received a $104 million tax rebate, an effective tax rate of -2.4 percent. With the indispensable assistance of the United Auto Workers union, the company pushed through a sellout contract in October of this year following a 40-day strike.

* United States Steel, which made a profit of $432 million, received a $40 million rebate and had an effective tax rate of -9.3 percent. Earlier this year, US Steel announced several hundred layoffs at its plants across the US and production shutdowns around the world after pushing through a concessions contract in 2018 with the help of the United Steelworkers union (USW) that stripped workers of job protections.

* Delta Airlines, which reaped $5.07 billion in profits during 2018, received $187 million in tax rebates, benefiting from an effective tax rate of -3.7 percent. Flight attendants have suffered serious injuries on the job only to be denied health care from the claims company Sedgwick, which Delta uses to process workers' insurance claims.

Had the 379 corporations identified in the ITEP study paid 21 percent in federal income taxes, they would have owed $73.9 billion to the federal government. To put that $73.9 billion into perspective, it is more than the amount needed to make tuition free at public colleges across the US ($70 billion per year) and twice what it would cost per year to end world hunger ($30 billion).