Spring 2020

The Impact of Tax Breaks & Incentives for Corporations on Local Economies

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by

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Honors Thesis submitted to the Peter T. Paul College of Business & Economics
University of New Hampshire
May 2020

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1. Abstract

One of perhaps the most pressing political debates since the 2016 Presidential election has been centered around the impacts of the many tax breaks and incentives given to large corporations. These breaks, used most often to draw a company to a certain geographic area, are typically granted with good intention. For example, a local or state government will pursue a company by enticing them to relocate to their area in order to help boost their economy because people, jobs, and money will come with them. This can also lead to spin-off development, meaning even more people could flock to the area, thus improving the economy further. However, these incentives can severely backfire and damage these economies. Often, these corporations are in no need of an incentive because they are already very profitable – they would surely be capable of paying their taxes. These taxes would certainly benefit the area in which they operate, but it is in their best interest to avoid them to maximize their bottom line. Although they can bring jobs along with them, it is also possible that they draw more people to an area than it can sustain, and there is no guarantee that new jobs will be created, or at least not as many as promised… sometimes, companies are incentivized to move only a few minutes from their current location, sometimes they relocate their own staff to their new location, and sometimes they are unable to deliver on their lofty employment goals. When companies receive millions, or even billions of dollars to relocate, they can help improve and strengthen the economy of the city or state they move to, but it can also be incredibly detrimental when promises are not met or corporate income taxes are not paid.

Keywords: Tax(es), Tax Incentive(s), Tax Break(s), Local Economies, Corporations

2. Literature Review

2.1 Amazon's HQ2

In 2017, one of the world's largest companies, Amazon, announced that they would be expanding and creating a second headquarters, dubbed their 'HQ2.' For over a year, cities across North America, 238 in total, applied to become the tech giant's new home. Amazon promised to bring 50,000 jobs with them wherever they landed, making it seem like a win-win situation for the company and their new host, (Thompson, 2018). One city in Georgia even offered to change their name to 'Amazon' in an effort to lure the company, (Bomey, 2017). But this so-called competition was going to be a difficult one to win, and changing your city's name would have nothing to do with the outcome. This is because this was no typical application; Amazon was hardly interested in picking from cities based on merit. Rather, each city submitted a tax incentive to Amazon - making it a bidding war for their choice of location. In total, Amazon received over $2 billion in tax incentives, deciding on Long Island City, New York, and Crystal City, Virginia. Long Island City is located between Manhattan and Brooklyn, while Crystal City is less than ten minutes south of the nation's capital. Rather than aiding a struggling city, Amazon conveniently decided to relocate to perhaps the most well-known business city on the east coast, as well as a city where Amazon founder and CEO, Jeffrey Bezos, owns a newspaper. One cannot be blamed for assuming that the entire application process was conducted simply to drive up the offered incentives, as New York City and Washington D.C. were certainly not underdogs… them winning is hardly surprising.

2.2 Politician & General Public Reaction

The November announcement of Amazon's HQ2 came with varying levels of support from NYC politicians and the public.

One of Amazon's biggest supporters, New York Governor Andrew Cuomo, who signed the deal to bring Amazon to the city, joked that he would change his name to "Amazon Cuomo" if that's what it took to get the tech giant to NYC, (Taylor, 2019). He, as well as Mayor Bill de Blasio, were instrumental in penning one of the largest incentive deals in the nation's history. However, as it pertains to large, public figures, they were essentially the only two who fully backed this move.

As noted by Governor Cuomo, many politicians and public figures offered stark opposition to the deal, which ultimately led to its demise. Democratic Representative Alexandria Ocasio-Cortez, perhaps the leading figure in the fight against HQ2, called it a "creeping overreach of one of the world's biggest corporations," citing that more important things, like the fact that "[New York's] subway is crumbling," (Leskin, 2019).

City Council Speaker Corey Johnson commented that he welcomed and "[looked] forward to" companies moving to New York City, "if [they're] willing to engage with New Yorkers and work through challenging issues…" calling NYC the "world's best place to do business." After Amazon announced that they would not be coming to the city, Johnson said: "I hope this is the start of the conversation about vulture capitalism and where our tax dollars are best spent. I know I'd choose mass transit over helipads any day," (Green, 2019).

The public seemed to have very mixed reactions to the deal. According to a February 2019 *Business Insider* article by Aria Bendix (2019), Amazon claimed that 70% of New Yorkers supported their HQ2 plans. However, Quinnipiac University and Sienna College Research

Institute polls showed that “less than 60% of New York City voters approved of the city’s deal with Amazon,” (Bendix, 2019). Some of the most concerning things to New York City residents were the subways, which are already overcrowded, becoming even more difficult to utilize, as well as rent prices skyrocketing. Although Amazon promised 25,000 new jobs, many New Yorkers were not convinced that these jobs would be going to them and wouldn’t be as high paying as promised. Many believed that taxes would also go up, in the form of both property tax and to pay for Amazon’s incentive, schools would become overcrowded, and that homelessness rates would rise as many would not be able to afford their living situation, (Bendix, 2019).

Overall, many people were very excited about the potential of Amazon making good on their lofty promises, but also anxious and unconvinced that the company wouldn’t be able to meet many of these. Fearing more harm than good, anti-Amazon protests broke out around the city, signaling the beginning of the end for the company’s New York HQ2.

2.3 Backing Out of New York

In November 2018, it was announced that Amazon would be calling Long Island City, New York, one of the homes for their East Coast ‘HQ2.’ New York had promised Amazon two separate things: a $1.2 billion refundable tax credit if the company could create the 25,000 jobs for the city by June 2028, and a $505 million capital grant, which was to reimburse the company for the building of its office. It was also estimated that Amazon would receive up to an additional $900 million from New York City’s Industrial and Commercial Abatement Program and their Relocation and Employment Assistance Program, better known as “REAP,” (Passy, 2019). This means, in total, they were set to receive roughly $2.605 billion in incentives from New York alone, placing them in the top five tax incentive packages all-time, (See EXHIBIT 1). It is important to note that this figure includes only the incentive offered from New York; between

New York and Virginia, they would have moved up the list further, and had they accepted other offers, like those from Maryland or New Jersey, they would be even higher, (Passy, 2019).

However, in February 2019, less than four full months after agreeing to their location in Long Island City, Amazon backed out of the deal, saying “a number of state and local politicians have made it clear that they oppose our presence and will not work with us to build the type of relationships that are required to go forward with the project,” (Taylor, 2019).

When Amazon announced their plan to pull-out of the deal, Governor Cuomo blamed opposing politicians for causing “tremendous damage,” continuing on to say “A small group (of) politicians put their own narrow interests above their community… they should be held accountable for this lost economic opportunity,” (Leskin, 2019). Similarly, NYC Mayor Bill de Blasio supported Amazon moving to the city, but rather than blaming other politicians upon the deals demise, de Blasio slammed Amazon, saying “[New York City] gave Amazon the opportunity to be a good neighbor and do business in the greatest city in the world. Instead of working with the community, Amazon threw away that opportunity… If Amazon can’t recognize what that’s worth, its competitors will,” (Leskin, 2019).

2.4 Has Amazon Acted Egregiously?

It is important to note that, according to Jacob Passy of *MarketWatch* (2019), “Amazon had received roughly $1.61 billion in subsidies from state and local governments over roughly the past two decades, according to data collected by Good Jobs First, an advocacy group that tracks corporate accountability.” While this figure is obviously incredibly large, it pales in comparison to some package’s others have received – and this $1.6 billion is over two decades, while others have gotten over 4 times this in one transaction, (See EXHIBIT 1). One could argue that Amazon has been rather impartial in terms of where they wanted to locate their offices, not accepting high incentives prior to their 2018 HQ2 decision.

Another interesting sign that Amazon might be doing the right thing: the company turned down much larger offers from other large markets. Many have kept their incentive offers a secret, but, according to unsigned editorial from *Investor's Business Daily* (2018), Amazon turned down an $8.5 billion incentive from Maryland, a $7 billion incentive from New Jersey, and $4 billion one from Detroit.

However, it should also be noted that a city like Detroit could have used the economic boost that Amazon no doubt would have brought with them – much, much more than a city like NYC would need it. Between the time Amazon announced their search for their HQ2 (September 2017), and the time they announced their choices (November 2018), Detroit had an unemployment rate of anywhere between 7.2 and 10.8%, (See EXHIBIT 2). By contrast, New York City never surpassed a 4.6% unemployment rate during that stretch of time, while the national average peaked at 4.2%, (U.S. Census Bureau). According to the U.S. Census Bureau, the median household income in Detroit between 2014 and 2018 was only $29,481 (in 2018 dollars) while the 12-month per capita income was just $17,338. About 36.4% of those living in Detroit are considered impoverished. Compared to NYC ($60,762 median household income, $37,693 per capita income, and 18.9% poverty), it is very clear that Detroit would have benefitted much more than New York - Amazon projected that they would bring 50,000 jobs total wherever they landed, meaning they would also inject millions annually into that economy in salary and state income taxes. One thing that could set New York City apart from Detroit is the skilled labor force; according to the U.S. Census Bureau, 80% of people over age 25 in Detroit have at least a high school diploma, but only 14.6% have a bachelor's degree or higher (compared to 81.6% and 37.4%, respectively, in New York City). However, because Amazon was promising 50,000 new jobs with an average salary exceeding $100,000, it is hard to imagine that people would not be willing to relocate, and the state of Michigan has very similar statistics (90.5% high school educated or higher, 28.6% bachelor's degree or higher) to New York State (86.5%, 35.9%), (U.S. Census Bureau). Furthermore, Amazon outlined their requirements and preferences which they planned to base their decisions off, most of which would have been met by Detroit, ("Amazon HQ2 RFP").

At the end of the day, New York City is certainly a better geographic location, allowing Amazon to have headquarters on each coast, but Amazon could have chosen to completely revitalize a city in need who would have welcomed them with open arms and almost twice the incentive package. Instead, they will not be operating in either location.

2.5 Others Paying No Taxes

Amazon is not alone as it pertains to large corporations paying little or no taxes. In fact, 60 profitable Fortune 500 companies paid no taxes in 2018, despite a combined total of $79 billion in profits, (Cerullo, 2019). Two FAANG stocks, Amazon and Netflix, paid a combined $0 in taxes, when, based on earnings, the two should have paid a combined $16.4 billion in federal income taxes based on the 21% tax rate, according to the *Institute on Taxation and Economic Policy* (Gardner, Wamhoff, Martellotta & Roque, 2019). Other companies of note include (with federal tax and effective tax rate in parenthesis): Chevron ($-181M, -4%), Delta Air Lines ($-187M, -4%), General Motors ($-104M, -2%), MGM Resorts International ($-12M, -2%), Prudential Financial ($-346M, -24%), United States Steel ($-40M, -9%), and Whirlpool ($-70M, -10%). The top twenty companies who did not pay anything in corporate taxes can be seen in EXHIBIT 3.

2.6 How Do Billion Dollar Corporations Avoid Paying Taxes?

Amazon, who is famous for evading taxes, is not alone as it pertains to multi-billion-dollar corporation avoiding their tax payments. There are many ways that corporations can, and do, avoid being taxed.

One tactic that corporations commonly use is claiming a "net operating loss carryforwards" on their balance sheet. One example of a company using this method is Delta Airlines. Essentially, Delta saw losses multiple times in the years leading up to 2005, when they officially filed for bankruptcy. In 2008 and 2009, they once again saw losses, as well as again in 2011. Since 2011, the company has been profitable, but has not paid any tax because they continue to carryforward their losses from previous years – they have been profitable on a year-to-year-basis but have not been profitable overall since at least 2004, (Allison, 2016). Until they are profitable as a company, they will not be subject to income tax which, according to Delta, they did not expect to happen at all until at least 2018, However, the projection as to when they will next pay taxes continues to be pushed back because it all depends on earnings for that particular year. This is perhaps one of the most utilized tax strategies, well-known as the tactic used by President Donald Trump who, during the 1990s and 2000s, filed for Chapter 11 bankruptcy 4-6 times on behalf of casinos and hotels he owned - he did not ever personally file, though, ("Examining Donald Trump's Chapter 11 Bankruptcies," n.d.). Chapter 11 bankruptcy is perhaps the most complex way to file for bankruptcy – it means that the business who has filed will be given time to reorganize their debts and eventually will be given a fresh start. Typically, the filing firm will also continue to operate. One way that the firm is reorganized is through the addition of net operating loss carryforwards to their balance sheet, which allows them to avoid taxes while they focus on once again becoming profitable, ("Chapter 11 – Bankruptcy Basics," n.d.). While this strategy does require going bankrupt, which isn't particularly ideal for a corporation, it has allowed Delta to pay no tax for about a decade, although they were profitable in 2018, when their earnings were over $5 billion, and their tax rebate was about $187 million, (Gardner, Wamhoff, Martellotta & Roque, 2019).

Another very common tactic, used particularly by technology companies, is the utilization of what is known as a "tax haven," which is typically an offshore country that allows foreign companies (or individuals) the opportunity to have a tax-free income. One example of a company using this strategy is Activision Blizzard, a video game producer known commonly for the *Call of Duty* and *World of Warcraft* franchises. The company, headquartered in California, paid no taxes to the United States in 2018, (Gardner, Wamhoff, Martellotta & Roque, 2019). This is because they have sold their IP (Intellectual Property) rights to companies in Bermuda and Barbados, both of which were created by and operate under the Activision Blizzard name, (Sinclair, 2019). These two subsidiaries then license that same IP to "Activision Blizzard International B.V.," which is located in the Netherlands. The Bermuda-based branch, which has no employees and may or may not have anything more than a mailbox set-up, received $5.59 billion in royalties for the IP they "bought" from their own parent company in California, (Sinclair, 2019). This $5.59 billion would show up as a cost to the Activision Blizzard in California, so they would not be liable for paying tax on it. This method is used often by tech and software companies since shifting rights (such as IP rights) to countries considered tax havens is incredibly easy. Essentially, the company shifts these rights to another country, even if there is no physical location or employees there, which allows them to claim less income, and therefor pay less, or no, tax. The U.S. will also offer tax rebates to these companies, meaning any taxes they do end up paying are essentially paid for by the average taxpayer rather than the company itself.

The final three commonly used tactics are employee stock compensation, accelerated depreciation, and reinvestment into certain operations. Many companies will compensate their employees with stock rather than cash. This can be done for a few reasons, like to avoid agency issues… because stock value increases as performance of the firm improves, employees are more likely to act in the best interest of the company, rather than in their own interests, and they will typically work harder. However, this can also be used to avoid paying taxes… "When the options are exercised, the difference between what employees pay for the stock and its market value can be claimed [as] a tax deduction," (Johnston, 2019). When a company uses accelerated depreciation, they claim that an asset is wearing out at a faster pace than it is, thus allowing them to claim more expenses in the earlier years, which is a pretax cost to the company. Certain industries, like technology or oil, for example, can receive tax breaks by reinvesting their funds into research, which is another pretax cost, (Johnston, 2019).

Although some of these methods and loopholes may be frowned upon by the government, they are all very legal. Besides the use of tax havens, it would be very difficult to make these practices illegal. The U.S. is known to support its businesses, so asking a company like Delta to pay taxes when they have a net-negative income since, essentially, the start of the 21st century would not be something they would do. The stock compensation or reinvestment into the company methods are simple exploits of the Generally Accepted Accounting Principles set forth by the SEC; closing them would be difficult.

2.7 CSR vs Shareholders: What's More Important?

Companies have argued that evading taxes is quite ethical. While this, on the surface, may seem illogical, they do have a point. Technically speaking, a corporation's sole responsibility is to their shareholders, and ensuring that they maximize shareholder value means having higher revenues and either providing dividends or reinvesting into the company with hopes of continued growth. Therefore, paying taxes, which takes away from their bottom line, is not in the shareholder's best interest, so the company should seek ways to avoid doing it. But there is a difference between tax planning and tax avoidance; tax planning is the use of instruments like rebates or exemptions, while tax avoidance is knowingly taking income earned and trying to hide it or redistribute it, like the way one would by using a tax haven, (Back, 2013). This is, generally, not seen as good CSR.

It has, in recent years, become increasingly important that companies practice good Corporate Social Responsibility, better known as CSR. CSR is highly important because it, too, greatly impacts the performance of a company. In the 1990's, Nike faced harsh criticism for their use of sweatshops, which payed very little and were often very dangerous and unhealthy places to work, (Nisen, 2013). The public responded by boycotting the company, so although they were able to maximize margins on their products, sales dipped dramatically, which is certainly not beneficial to the company and, in turn, harms shareholders. Essentially, companies should still be acting in their shareholders interests, but these interests have evolved from making them the most money possible to adhering to a certain level of CSR and ensuring stakeholders, not just shareholders, are happy, all while still providing high returns.

Very few people seem ready to boycott Amazon or any other company for not paying their taxes at this time. However, not paying your taxes is clearly an example of bad CSR, which could lead

2.8 Companies Doing It "Right"

Although 60 Fortune 500 companies are currently not paying taxes, that would mean that 440 listed companies are. Some of these companies include Apple, Alphabet, and Johnson & Johnson, all of whom could likely avoid paying taxes if they wished but have different rationales for why they opt to pay their corporate tax.

According to 2017 statement on Apple's website, Apple is the world's largest taxpayer, paying over $35 billion in corporate income taxes from 2014 - 2016, and paying said taxes in every country where their products are sold. The company effective tax rate is 24.6%, which they note is higher than the average paid by multinational companies headquartered in the U.S. Beyond this income tax, they claim to pay "billions of dollars more in property tax, payroll tax, sales tax, and VAT," which is value-added taxes, ("The facts about Apple's tax payments," 2017).

Alphabet, the parent company of Google, has made headlines for adjusting their tax structure recently, ending their use of what is known as the "Double Irish, Dutch Sandwich" loophole, (Sterling, 2019). This loophole is the same used by Activision-Blizzard as described above. Google used the strategy to move $24.5 billion from a Dutch holding company to one in Bermuda in 2017 but ended the practice after 2019. They had been achieving this by licensing their IP from a Bermuda address rather than a U.S. one, so it would count as income in Bermuda and therefore not require taxation. During their time using this method, Google claims its effective tax rate was 23%, with over 80% of their taxes paid being to the United States, (Sterling, 2019). Although they were using this tax avoidance strategy, they were paying quite a bit in corporate income taxes to the U.S. because this strategy was used on funds from overseas exclusively… in other words, all revenue made in the U.S. was taxed accordingly. While Alphabet and Google were certainly avoiding some taxation, they did pay quite a bit in taxes and, as of 2020, plan to pay all of their taxes for the foreseeable future.

Johnson & Johnson, one of the world's largest pharmaceutical and consumer-health production companies in the world, has perhaps one of the best value statements of any company globally. The company has what they refer to as a "Credo" statement, which is very similar to a mission or vision statement. Created in 1943 by then-chairman Robert W. Johnson, J&J implemented their Credo long before the term "corporate social responsibility" surfaced, ("Our Credo" n.d.). In their Credo, J&J lists, in order of importance, those they serve. First, the company mentions all who use their products, including patients, nurses, parents, and doctors, amongst others. They say that they "must constantly strive to provide value, reduce our costs and maintain reasonable prices." Next, they are responsible to their employees; they strive to ensure workspaces are safe and clean, employees are fairly compensated and feel a sense of fulfillment in their work, and that they must be equal-opportunity employers, amongst other things. Their next responsibility is to "the communities in which we live and work and to the world community as well." In this section, the company states that "[They] must be good citizens – support good works and charities, better health and education, and bear our fair share of taxes." The very last responsibility that the company lists, which is often the first responsibility a company tends to, is to stockholders. It is apparent that the company takes their responsibility of paying their "fair share" very seriously, and they want investors to know this upfront, so they won't expect otherwise.

Although Apple, Alphabet, and Johnson & Johnson operate in different industries than companies like Amazon, Activision-Blizzard, or Delta Airlines, they serve as examples of how a large, multinational corporation, can take the steps necessary to ensure that they pay their fair share of taxes to both the U.S. as well as any nation that they operate or sell products in.

2.9 "The Kansas City Border War" & Foxconn Disaster

One prime example of the negative economic effects tax incentives can impose on local economies is known as the "Kansas City Border War." Kansas City, which is located mostly in Missouri but partially in Kansas, has seen many corporation headquarters and small businesses move between state lines, simply because the other state was willing to give them a tax incentive to do so. This battle has contributed to the loss of millions of dollars for what is estimated to be the creation of just north of 1,000 total new jobs in the city, (Hardy, 2019). Although a thousand new jobs are helpful, the Kansas City metropolitan area is home to over 2 million people, meaning it really isn't worth the economic loss. This also does not mean that jobs were not lost in the process. An article in the *Kansas City Star* noted that, even after their so-called "ceasefire" in August between the two sides of the city, a local financial firm laid off dozens of employees, as per a stipulation of their incentive, (Hardy, 2019).

As noted, in August 2019, the two sides of the city agreed on a deal to end this "war," but it is evident that both are still fighting each other by bidding against one another for companies in other states or in the Kansas City suburbs.

Another example of damage done to an economy by an incentive package is known to many as the Foxconn Disaster.

In 2017, Wisconsin was able to incentivize the "world's largest contract manufacturer of consumer electronics" to come to the U.S., (Hess, Quirmbach, & White, 2020). According to the original plan, Foxconn was to open a large plant, hiring 13,000 people, in exchange for a combined $4 trillion incentive package. Foxconn also established “innovation centers” in many major cities in Wisconsin, promising 1,200 more jobs. Almost three years later, very few of these promises have been fulfilled, and their plant is expected to be drastically smaller than the original 22 million square foot design, (Hess, Quirmbach, & White, 2020).

Although these are only two examples of the harms that can come from giving tax incentives, they represent two very recent instances of this very dangerous reality, both of which were completely avoidable.

2.10 Should the Corporate Tax Rate Be Lowered?

Prior to November 2017, the U.S. corporate tax rate was 35%, but with the passing of the Tax Cuts and Jobs Act of 2017, the corporate tax rate was significantly reduced, becoming only 21%. However, this is a federal tax… each state can also implement a corporate tax, which 44 of 50 do, (Pomerleau, 2019). These range from as little as 3% in North Carolina to as much as 12% in Iowa, (See EXHIBIT 4). While corporations would obviously prefer to pay no taxes at all, instead returning money to shareholders, reinvesting their wealth, or hoarding cash, it is very important for the sake of the country that they do indeed pay their fair share of taxes.

One obvious way of incentivizing corporations to pay their tax rates is to lower them. One such theory is the less a company is required to pay in taxes, the happier and more willing they will be to do so. However, corporations pay millions in taxes for a reason… many of them make billions. The federal government funds the services they provide almost exclusively with tax dollars. These include programs such as Medicare, Medicaid, and Social Security, and services such as national defense. It also funds the investments in education and infrastructure and is used to pay interest accrued on the national debt. In fiscal 2018, the federal government spent $4.1 trillion on these things, amongst others, which required $3.3 trillion in federal revenues and $779 billion in borrowing – which will ultimately be paid by future taxpayers, ("Policy Basics: Where Do Federal Tax Revenues Come From?," 2019).

Over half of this federal revenue (51%) is from individual income taxes, and another 35% comes from payroll taxes, half of which are taken directly from an individual's wage or salary, and the other half is paid by the employer. Excise, estate, and other taxes account for 8%, and corporate income taxes account for 6%, (See EXHIBIT 5). This would imply that, of the $3.3 trillion in federal revenue spent in 2018, $198 billion was from corporate taxation, while about $1.68 trillion would have been from individual taxpayers. According to the Congressional Budget Office, individual income taxes are projected to total about $1.8 trillion in 2020, while corporate taxes will account for $234 billion, ("Taxes," 2020).

One argument for lowering the federal corporate income tax rate is that perhaps companies will be less adamant about avoiding them. Although the rate will be lower, this would result in more tax revenue from corporations, because companies like those in the 60 Fortune 500 who do not pay tax, would, in theory, begin to pay. However, there is an equally good chance that they will continue avoiding taxation since the tax rate was dropped by 40%, down to just 21%, in 2017, yet those 60 companies, and many others, still did not pay their share the following fiscal year. The United States should not have to give in to large corporations in order to receive taxes from them – something that the majority of individuals in the country pay.

3. Conclusions

There have been many instances in the past where tax incentives and breaks have been very successful. However, there have also been significant failures that are capable of crippling local economies for a variety of reasons, whether it be a significant increase in housing prices that force people to move and give up their jobs, harming local businesses in the process, promises left unmet, or large sums of money spent that could have been used elsewhere. When used responsibly, these can and should be used… like perhaps giving an overseas company a few billion dollars to establish themselves in a U.S. city, but otherwise, tax incentives should be limited, and cities or states should not rush to give trillions of dollars to a company because, quite often, the risk is not worth the reward.

The U.S. should also not lower the corporate tax rate further. While some companies may be more willing cease their use of tax avoidance loopholes, it does not mean all will. Most companies who do not pay their taxes are doing so using legal methods and loopholes that would be very difficult to close. It is essential that the government finds a way to limit these, within reason. Otherwise, this will continue to place more of a burden on individuals paying taxes while allowing corporations who make millions or billions of dollars per year to get away scot-free.

4. Exhibits

EXHIBIT 1: Recent Incentive Packages Offered or Given to Large Corps. in the U.S.

	COMPANY	STATE	YEAR	INCENTIVE (IN BILLIONS)
1	Boeing	Washington	2013	$8.7
2	Alcoa	New York	2007	$5.6
3	Foxconn	Wisconsin	2017	$4.8
4	Boeing	Washington	2003	$3.2
5	Amazon	New York	2018	$2.6
6	General Motors	Michigan	2009	$2.3
7	Ford	Michigan	2010	$2.3
8	Sempra Energy	Louisiana	2013	$2.2
9	Nike	Oregon	2012	$2

Source: *MarketWatch* via Jacob Passy

EXHIBIT 2: Unemployment Rates (%) of Select Cities During Amazon HQ2 Search

	NEW YORK CITY, NY	WASHINGTON D.C.	DETROIT, MI	BALTIMORE, MD
SEPT. 2017	4.6	6.2	10.3	5.9
OCT.	4.5	5.9	9.7	5.9
NOV.	4.4	5.7	8.5	5.9
DEC.	4.4	5.4	8.8	6.1
JAN. 2018	4.3	5.9	10.2	6.5
FEB.	4.3	6.0	9.6	6.3
MAR.	4.3	5.7	9.0	5.9
APR.	4.3	5.2	7.2	5.5
MAY	4.2	5.4	7.5	5.4
JUN.	4.1	6.1	9.6	6.1
JUL.	4.0	6.1	10.8	6.1
AUG.	4.0	5.9	9.9	6.3
SEPT.	3.9	5.7	8.4	5.1
OCT.	4.0	5.6	9.3	5.1
NOV.	4.0	5.4	7.8	4.8

Source: *YCharts* via the Bureau of Labor Statistics

EXHIBIT 3: Top 20 (of the 60) Companies Who Avoided All Federal Income Taxes in 2018 (Based on Highest U.S. Income)

COMPANY	U.S. INCOME*	FEDERAL TAX*	EFFECTIVE TAX RATE	INDUSTRY
AMAZON.COM	$10,835	$-129	-1%	Retail & wholesale trade
AMERICAN ELECTRIC POWER	$1,943	$-32	-2%	Utilities, gas and electric
CHEVRON	$4,547	$-181	-4%	Oil, gas & pipelines
DEERE	$2,152	$-268	-12%	Industrial machinery
DELTA AIR LINES	$5,073	$-187	-4%	Transportation
DEVON ENERGY	$1,297	$-14	-1%	Oil, gas & pipelines
DOMINION RESOURCES	$3,021	$-45	-1%	Utilities, gas and electric
DUKE ENERGY	$3,029	$-647	-21%	Utilities, gas and electric
EOG RESOURCES	$4,067	$-304	-7%	Oil, gas & pipelines
FIRSTENERGY	$1,495	$-16	-1%	Utilities, gas and electric
GENERAL MOTORS	$4,320	$-104	-2%	Motor vehicles and parts
HONEYWELL INTERNATIONAL	$2,830	$-21	-1%	Industrial machinery
KINDER MORGAN	$1,784	$-22	-1%	Oil, gas & pipelines
MOLSON COORS	$1,325	$-23	-2%	Food & beverages & tobacco
OCCIDENTAL PETROLEUM	$3,379	$-23	-1%	Oil, gas & pipelines
PRINCIPAL FINANCIAL	$1,641	$-49	-3%	Financial

PRUDENTIAL FINANCIAL	$1,440	$-346	-24%	Financial
PUBLIC SERVICE ENTERPRISE GROUP	$1,772	$-97	-5%	Utilities, gas and electric
PULTEGROUP	$1,340	$-44	-3%	Miscellaneous manufacturing
XCEL ENERGY	$1,434	$-34	-2%	Utilities, gas and electric

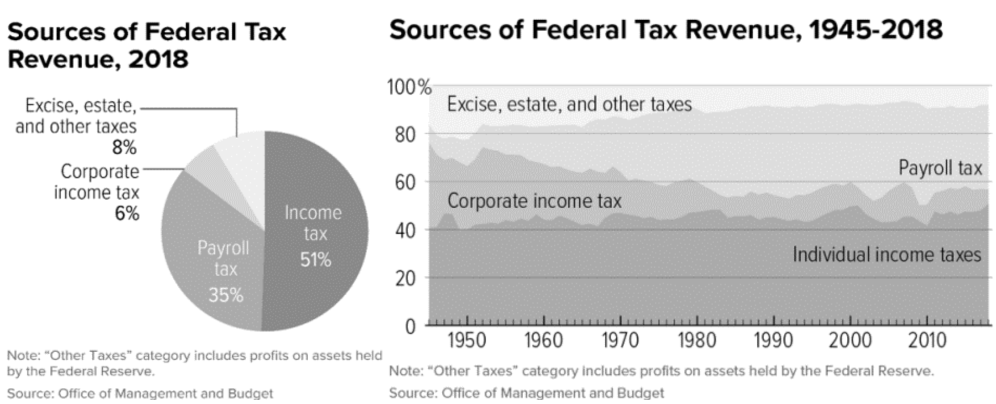
*In Millions of Dollars
Source: *Institute on Taxation and Economic Policy (ITEP)* analysis of SEC Filings

EXHIBIT 4: Lowest & Highest Corporate Tax Rates by State

LOWEST			**HIGHEST**		
STATE	**CORPORATE TAX RATE**	**EFFECTIVE COMBINED TAX RATE**	**STATE**	**CORPORATE TAX RATE**	**EFFECTIVE COMBINED TAX RATE**
NC	**3.0%**	**23.4%**	**IA**	**12.0%**	**29.5%**
ND	**4.3%**	**24.4%**	**PA**	**9.99%**	**28.9%**
CO	**4.6%**	**24.7%**	**MN**	**9.8%**	**28.7%**
AZ	**4.9%**	**24.9%**	**IL**	**9.5%**	**28.5%**
3 TIED	**5.0%**	**25.0%**	**AL**	**9.4%**	**28.4%**
0% Corporate Tax States: Nevada, Ohio, South Dakota, Texas, Washington, & Wyoming					

Source: *Tax Foundation* via Kyle Pomerleau

EXHIBIT 5: Sources of Federal Tax Revenue



Source: *Center on Budget and Policy Priorities* (CBPP.org)

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