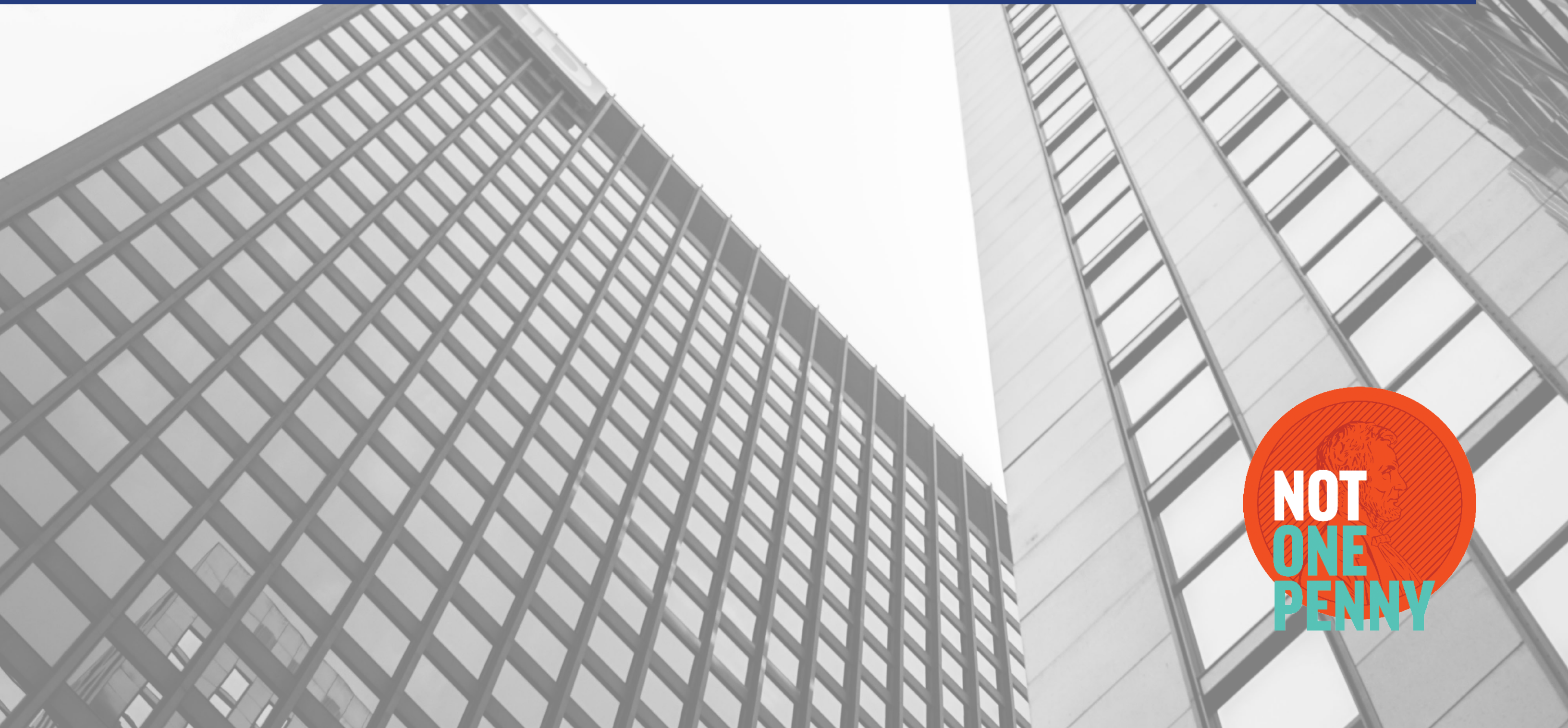
TAX CUTS & JOBS ACT:

How Corporations Are Cashing In Six Months Later

June 2018



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EXECUTIVE SUMMARY

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act (TCJA) into law. Its most drastic decrees were those impacting corporations, including a 40 percent across-the-board cut in the corporate tax rate and provisions changing how profits earned overseas are taxed. In their push to sell the law to a skeptical public, Republican lawmakers swore that those benefits would "trickle down" to the rest of us through an expansion in business investment, leading to job and wage growth.

Six months in, however, there is little evidence that tax cuts are accelerating either employment or investment growth. Unemployment has been decreasing every year since 2010, and that decline has decelerated slightly since the tax cuts went into effect. Overall economic growth has also slowed in the first quarter since the tax act was passed.

Still, in the weeks following passage of the act, a flurry of companies joined a noisy public relations chorus touting the ways their tax savings would free them to offer pay raises, bonuses, and increased investments in their U.S. workforces. Despite these claims, corporate tax breaks have not resulted in a change in corporate behavior – or at least not where workers, customers, and communities are concerned. In the first quarter of the year, large corporations spent considerably more on stock buybacks to enrich large shareholders than they did on U.S. capital and workforce investment. Plant closings and layoffs have continued at roughly the same pace as prior to the act's passage, and claims related to direct worker benefits in the form of wage increases and bonuses have been highly misleading.

To understand how corporations are benefiting from the new law and how they are spending their tax cuts, we have taken an industry-specific approach, focusing on market leaders across nine major sectors: Airlines, Automotive, Banks, Communications, Fast Food, Oil & Gas, Pharma, Retail, and Technology. These industries both represent the U.S. economy and were among the sectors most highly impacted by changes under the new tax law. Under this approach, we examined 40 companies to assess their tax act-related claims and the reality behind those claims.

Under the new corporate rate, **33 companies examined in this report had tax cuts totaling $11 billion in the first quarter of 2018 alone**.[i] The tax act made cuts to the corporate rate permanent, and companies will continue to see similar results in each subsequent quarter. Over half of these companies paid less than the new 21 percent statutory rate in the most recent quarter. Banks, tech, communications, and other companies saw double-digit drops in their effective tax rates, resulting in huge cuts over the same quarter last year. **Half of the companies we examined also recorded a one-time gain in 2017 from the decrease in their tax liabilities, totaling $81 billion**. Some of the tax act's biggest winners realized billions in benefits from having put off paying their taxes in the past.

Many of these corporations were among the hundreds that released statements praising the new law and vowing to share their tax windfalls with their employees and communities. Focusing on seven main aspects of corporations' claims or behaviors, we found that the reality looks different:

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i See chart on page 11 for more detail.

- **The wage bumps announced by corporations in response to the tax plan are in fact largely a response to outside forces – such as local minimum wage increases – and some were underway well before passage of the law.**

WALMART

Walmart says it will raise its base wage to $11/hour, at an annual cost of $300 million – about 10 percent of the company's yearly advertising budget. Almost 250,000 Walmart employees – or over 16 percent of the company's workforce – work in states where the minimum wage is already $11 or will be going to that rate within the next year. The company is responding to a tighter market for low-wage workers, and competitors had already raised their wages to this level prior to the tax act. Further, as Walmart touts the modest increase, it has been cited as the U.S. corporation with the most wage theft penalties for violations such as forcing employees to work off the clock or failing to pay required overtime.

- **The one-time cash bonuses that blanketed news coverage immediately after the law was passed actually represent an insignificant investment from corporations, make a negligible impact on the economy, and pale in comparison to lavish executive pay**. The 10 companies in our study that awarded one-time bonuses, averaging $1,100 per worker, gave their CEOs 2017 cash performance bonuses averaging $3.2 million.

COMCAST

Comcast said it would give $1,000 one-time bonuses to 100,000 employees – in contrast to the $9.1 million bonus to its CEO Brian Roberts in 2017. Including Roberts, Comcast's named executives made $26.4 million in cash bonuses last year – over a quarter of the $100 million spent on bonuses for the other employees.

- **Companies celebrated announcements of U.S. investment or hiring plans that were in fact completely in line with past spending and growth levels.**

EXXON MOBIL

In January 2018, Exxon Mobil CEO Darren Woods said the company would invest $50 billion over the next five years as a result of the company's strong performance "enhanced by the historic tax reform recently signed into law." A spokesperson later clarified that the company had already announced $15 billion of that spending prior to the tax act. Regardless, its plans are more attributable to rising oil prices than to Trump's tax cut. Before the 2014-2016 oil price drop, Exxon spent about $50 billion in U.S. capital expenditures between 2010 and 2014. With oil prices now back at their highest level since the end of 2014, Exxon had already begun to boost overall capital expenditures, which rose 20 percent from 2016 to 2017.

- **Despite claims that the corporate tax cut would add "rocket fuel" to the economy, plant closings and layoffs have continued at roughly the same pace as prior to the act's passage.**

PLANT CLOSINGS AND LAYOFFS

Over half of the companies in our study have announced layoffs in the six months since the tax act passed. The three communications companies examined in this report have announced combined layoffs of over 5,000 workers. In early 2018, it was reported that Microsoft and Amazon will lay off hundreds of corporate employees. And hours after it trumpeted its tax cut bonuses, Walmart announced that it was closing 63 Sam's Club stores across the country, eliminating approximately 10,000 jobs.

- **Companies have massively increased their spending on stock buybacks.** Since the passage of the tax act, **twelve of the companies in our study have announced buybacks totaling $177 billion.** Overall, U.S. companies are currently on pace to buy back $1 trillion in shares by the end of the year. In the first quarter of 2018, S&P 500 companies spent $178 billion on buybacks, compared to $166 billion on capital expenditures, a figure that includes total - not just U.S. - investment.

Company	Industry	Stock Buyback Amount
Apple	Tech	$100 billion
Wells Fargo	Bank	$22 billion
AbbVie	Pharma	$10 billion
Amgen	Pharma	$10 billion
Facebook	Tech	$9 billion
Alphabet	Tech	$8.6 billion
Starbucks	Fast Food	$5.9 billion
Comcast	Communications	$5 billion
Kroger	Retail	$2.2 billion
American Airlines	Airline	$2 billion
Southwest Airlines	Airline	$2 billion
Conoco Phillips	Oil & Gas	$500 million

- **Corporations have spent their tax windfall to enlarge their market share through new acquisitions or foreign investment, rather than organic growth.** In 2018, Microsoft announced it would acquire GitHub for $7.5 billion. In June, Comcast announced a $65 billion offer to compete with Disney's $52 billion bid to acquire 21 Century Fox's entertainment businesses. Walmart spent $16 billion on a majority stake in an Indian e-commerce company, a move that Amazon countered by upping its investment in the country. This type of M&A activity does little for U.S. workers.

- **CEO pay continues to climb.** The average pay for CEOs at the companies in our study was $18 million in 2017, with compensation around $30 million at Comcast, Johnson & Johnson, and AT&T. (These packages often don't even include the value of stock vested during the year, such as over $89 million's worth to Apple CEO Tim Cook). We also found CEO-to-median worker pay ratios as high as thousands to one.

Biggest Ratios, CEO-to-Median Worker Pay			
Company	Median Worker Pay	CEO Pay	Ratio
McDonald's	$7,017	$21,761,052	3,101 to 1
Yum! Brands	$9,111	$12,368,607	1,358 to 1
Walmart	$19,177	$22,791,276	1,188 to 1

The new tax law has handed corporations billions in tax cuts every year. Supporters of the tax act said those savings would be passed down to workers and communities in the form of increased investment, higher wages, and new jobs. We see little evidence of these claims in the economic data, nor in the actions of individual corporations. U.S. companies continue with business as usual – with an enhanced ability to enrich their shareholders, but little inclination to create an economy that works for us all.

INTRODUCTION

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act into law. A centerpiece of the Republican legislative agenda, the act made drastic changes to the U.S. tax code. Among its most striking features was a 40 percent cut in the corporate tax rate, along with provisions changing how profits earned overseas are taxed, making it more financially advantageous for large, multinational corporations to expand their foreign presence.

This study looks at the impact of the tax act by examining 40 companies across nine major U.S. industries. In the first quarter after the new law went into effect, **33 of these companies recorded tax cuts totaling $11 billion.**[ii] That is a loss of federal tax revenue roughly equivalent to the entire budget of the U.S. Department of the Interior. Companies registered savings of anything between $20 million to over a billion in the first quarter of 2018, with the biggest cuts going to Apple ($1.6 billion), Google ($1 billion) and Bank of America ($786 million). These cuts follow massive one-time benefits that the Tax Cuts and Jobs Act, more commonly known as the tax law, or the Republican tax law, handed certain corporations that are described in more detail below. **In 2017, 21 of the companies in our study recorded one-time gains totaling $81 billion,** an amount slightly larger than the 2017 budget for the U.S. Department of Transportation.[1]

> *Tax cuts at just 33 of the largest US companies, for a single quarter, total $11 billion.*

Corporate shareholders are the tax cuts' biggest winners: According to the Tax Policy Center, roughly 70 percent of the benefit from a cut in the corporate tax rate goes to the richest 20 percent of households; one-third of the benefit goes to the richest 1 percent alone.[2] In their push to sell the law to a skeptical public, however, Republican lawmakers swore that those benefits would "trickle down" to the rest of us through an expansion in business investment, leading to job and wage growth. Tax cuts would be "rocket fuel" for the economy, as Trump liked to say. Six months in, however, there is little evidence that tax cuts are accelerating either employment or investment growth.

When assessing the impacts of the corporate tax cuts, it is important to recognize that the country's steady economic recovery preceded the passage of the tax act. Unemployment has decreased by at least 0.4 percent every year since 2010, and had already fallen to 4.1 percent before the act was passed. Since December, as the tax cuts took effect, that decline has slowed to 0.2 percent.[3]

Overall economic growth has also slowed in the first quarter since the tax act was passed. GDP grew at a 2.3 percent annualized rate in the first three months of 2018, down from 2.9 percent growth in the last quarter of 2017. Business investment – the component of GDP that Republicans argued would respond most strongly to the tax cuts – grew at a 6.1 percent annual rate during the first three months of 2018, down from 6.8 percent in the last quarter of 2017, and from 7.2 percent during the first quarter last year.[4]

Despite the lack of any evidence pointing to a tax cut-driven boom, Republican lawmakers have been eager to sell their one legislative win to constituents as the midterm elections approach – and corporate

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ii See chart on page 11 for more detail.

America has been happy to help. In the days and weeks following passage of the act, a flurry of companies joined a noisy public relations chorus touting the ways their tax savings would free them to offer pay raises, bonuses, and increased investments in their U.S. workforces. Organizations like Grover Norquist's Americans for Tax Reform (ATR) have obsessively catalogued these promises – celebrating everything from a small firm in Reno saying it would buy a new truck, to Apple's preposterously disingenuous claim that it will inject $350 billion into the U.S. economy (as discussed below).

ATR provides no context or sense of scale for these claims, and Republicans continue to spread anecdotes of corporate beneficence that misrepresent the actual investment and hiring decisions of U.S. companies. Corporate tax breaks have not resulted in a change in corporate behavior – or at least not where workers, customers, and communities are concerned. In the first quarter of the year, large corporations spent more on stock buybacks to enrich large shareholders than they did on U.S. capital and workforce investment – considerably more.[5] Plant closings and layoffs have continued at roughly the same pace as prior to the act's passage, and claims related to direct worker benefits in the form of wage increases and bonuses have been highly misleading.

Meanwhile, the larger public fails to see the benefits of greater corporate riches. After receiving billions in savings from the tax bill, pharmaceutical companies continue to jack up prices for prescription drugs while Pfizer cut its Alzheimer's and Parkinson's research programs. Airline executives warn customers to expect higher fares this summer. Major health companies plan megamergers that antitrust critics fear will block competition and restrict choices for consumers. And banks continue to lavishly reward executives, even at Wells Fargo, as the company is engulfed in scandal after scandal for its illegal sales practices.

This report looks at leading companies across nine major business sectors to provide a truer picture of their actions since the Republican Congress handed them massive tax cuts. Many of these companies were among the hundreds of corporations that released statements praising the new law and vowing to share their tax windfalls with their employees and communities. The reality behind these claims looks different. Our study found:

- Small wage bumps that are largely a response to labor market pressures and increases in state and local minimum wages, and in some cases were underway well before the passage of the tax law.

- Coordinated one time-cash bonuses that represent an insignificant investment on the part of employers and make a negligible impact on the economy.

- Announcements about U.S. investment or hiring plans that were completely in line with past spending levels, and promised hiring that does not outpace pre-TCJA employment growth.

- Plant closings and layoffs that have continued at roughly the same pace as prior to the act's passage.

- Massively increased spending on stock buybacks, benefiting corporate shareholders and executives.

- A flurry of mergers and acquisitions, rather than investments in organic growth.

- Continued corporate over-spending on lavish CEO pay packages.

Our Approach: A Look at 40 Companies

To understand how corporations are benefiting from the new law and how they are spending their tax cuts, we have taken an industry-specific approach, focusing on market leaders across nine major sectors: Airlines, Automotive, Banks, Communications, Fast Food, Oil & Gas, Pharma, Retail, and Technology. These industries both represent the U.S. economy and were among the sectors mostly highly impacted by changes under the new tax law.

We have focused on the top five companies in each selected industry sector,[i] except in cases where a smaller number of companies reflects a more accurate peer group. For example, in the automotive industry, the "Big Three" companies – General Motors, Ford, and Fiat Chrysler – have no comparably sized competitors. Among communications companies, the top three stand out in terms of both market capitalization (over $100 billion apiece) and revenue, far outpacing their next biggest rival. Further, we looked only at U.S. corporations that trade on the major U.S. exchanges and file financial reports with the Securities and Exchange Commission. This includes the two foreign-registered companies on our list, Fiat Chrysler and Restaurant Brands, which both also maintain U.S. headquarters. This gives us a universe of 40 companies for an examination of tax act-related claims and the reality behind those claims. The companies included in our study are below:

Industry	Company
Airline	Alaska Air Group, American Airlines, Delta, Southwest Airlines, United Airlines
Automotive	Fiat Chrysler, Ford, General Motors
Bank	Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Wells Fargo
Communications	AT&T, Comcast, Verizon
Fast Food	McDonald's, Restaurant Brands, Starbucks Coffee, Yum! Brands
Oil & Gas	Chevron, Conoco Phillips, EOG Resources, Exxon Mobil, Occidental Petroleum
Pharma	AbbVie, Amgen, Johnson & Johnson, Merck, Pfizer
Retail	Costco, CVS Health, Home Depot, Kroger, Walmart
Tech	Alphabet, Amazon, Apple, Facebook, Microsoft

i By market cap for Airlines, Banks, Oil & Gas, Pharma, and Tech; by brand valuation for Fast Food; by sales for Retail

By looking at industry segments, we see certain trends emerge, which we will draw out throughout this report. For example:

Airlines. In 2017, the country's largest carriers reported a combined profit of $15.5 billion, including $4.6 billion from baggage fees alone. (The industry's biggest year in history was 2015, when low fuel costs helped airlines collect a record of nearly $25 billion in profit.)[6]

Banks. The five largest banks in the United States reported tax cuts totaling over $2.5 billion for the first quarter of 2018.[7] These banks' current share repurchasing programs total over $70 billion.

Communications. The three major communications companies reported tax cuts totaling $1.7 billion for the first quarter of 2018. In 2017, they together reported $49.8 billion in tax savings. The tax law lowered the rate these companies have to pay on their deferred tax liabilities, or taxes due to be paid in future. Telecoms were among the biggest TCJA winners; they derive a bulk of their revenues from the domestic market[8] and therefore paid some of the highest effective tax rates prior to the act.[9]

Oil & Gas. This capital-intensive industry is benefitting greatly from the tax act, as well as enjoying crude oil prices at the highest level since 2014. In addition to the $11.5 billion 2017 tax benefits to the five companies in our report, the four largest independent oil refiners (Phillips 66, Valero Energy, Marathon Petroleum, and Andeavor) posted one-time tax gains of $7 billion combined in 2017, matching their net incomes for all of 2016.[10]

Pharma. Amid rising drug prices, the companies in our study had tax savings of $866 million in the first quarter of 2018. The industry is expected to use cash freed up by the tax law to fund significant mergers and acquisition activity this year, as the industry scrambles to replace aging drugs (that will lose patent protection and go generic) by purchasing new medicines.[11]

Tech. Apple and Google alone each had over $1 billion in Q1 2018 tax savings. Technology companies and their trade associations fought for the tax act, especially its repatriation policies, cementing a drastically slashed tax rate on the hundreds of billions of dollars the firms kept stashed overseas.[12]

METHODOLOGY AND SOURCES

In examining claims made by companies about how they would share tax cuts with their workers and communities, we focused on corporate statements that tied new spending directly to the tax act or on actions publicized by groups like Americans for Tax Reform. We looked primarily at claims about bonuses, wages, and increased U.S. investment and hiring. The companies we examine in this report may have made other tax act-related promises that we have not reviewed, but we believe that the type of claims we assess in this study are the most representative of the benefits that supporters of the tax act vowed would flow to the American people under the new law.

We calculated tax cuts by first determining the effective tax rate that companies paid in the first quarters of 2018 and 2017, using the income and tax figures reported in their income statements (unless otherwise noted). We then applied the Q1 2017 rate to the most recent quarter's income for each company. The tax cut represents the difference between what each company paid in taxes in the most recent quarter, and what they would have paid under the pre-tax act Q1 2017 rate. This method of comparison takes change in income into account and allows a look at real taxes paid, as opposed to theoretical tax rates - as will be discussed further, very few companies were paying the 35 percent corporate tax rate under the old tax system before the tax act passed.

The primary sources for this report are companies' regulatory filings with the Securities and Exchange Commission, particularly their 10-K Annual Reports, 10-Q Quarterly Reports, 8-K Earnings Releases, and DEF 14A Definitive Proxy Statements. In the case of Fiat Chrysler, we have relied on the Annual Report of Private Foreign Issuer (Form 20-F). The primary sources for information about layoffs and plant closures are state-level notices filed under the Federal Worker Adjustment and Retraining Notification (WARN) Act. The SEC filings and WARN data are the sources for all information that is not otherwise cited in the endnotes.

WHAT IS IN THE TAX LAW: HOW CORPORATIONS WIN

The tax law made significant – and permanent – changes to the corporate tax code, giving C-corporations a 40 percent cut in their tax rate: They are now taxed at a 21 percent rate, down from 35 percent. That tax break largely benefits corporate shareholders. Research suggests that about 70 percent of the benefit of the cut to the corporate tax rate will flow to the top 20 percent of households,[13] with one-third flowing to the top 1 percent alone.

The law also changed international taxation from a "worldwide" to a "territorial" system. Previously, companies were taxed at 35 percent on income regardless of where it was recorded. A major loophole allowed them to defer tax payments on profits earned abroad until they were "repatriated" (brought back home to owners in the United States). For the past decade, companies maximized this deferral loophole by holding profits offshore while lobbying Congress to allow them to bring these earnings back at a preferential rate (as was done in 2004, when Congress provided a repatriation "holiday").

The tax act provides this preferential rate: Overseas profits earned before the law took effect are deemed to have been repatriated and were immediately taxed. However, the new law taxed these profits at rates far lower than 35 percent, handing huge savings to companies that had held earnings overseas for years to avoid the higher rate. Going forward, the law sets up a system which continues to favor foreign profits over profits earned in the United States, thereby incentivizing companies to do more business abroad.

Tax rate on corporate income

The biggest change in the Tax Cuts and Jobs Act is the corporate tax rate cut – permanently bringing down the top corporate tax rate from 35 percent to 21 percent. Over the next ten years, the tax benefit to corporations from this new much lower rate will total $1.3 trillion.

However, even though prior to passage of the tax law the top marginal tax rate was 35 percent, corporations took advantage of giant loopholes in the tax code to pay significantly lower effective tax rates. In fact, of the 40 corporations we examine in this report, only 12 paid an effective tax rate of at least 35 percent in 2016, and a quarter of the companies were already paying less than the new 21 percent tax rate that year.

But now with the marginal rate cut, and little in the law that closes the existing loopholes, corporations will face a significantly lower effective tax rate. The pharmaceutical company AbbVie, for example, astounded Wall Street when it announced it expects to pay a 9 percent effective tax rate in 2018.[14]

Under the new corporate rate, 33 companies examined in this report had tax cuts totaling $11 billion in the first quarter of 2018 alone.[iii] Unsurprisingly, over half of these companies paid less than the new 21 percent statutory rate in the most recent quarter. Bank, tech, telecom, and other companies saw

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iii Three companies reported no tax cut or a 1-2 percent bump in tax rates, and Kroger had not released figures in time for inclusion in this report. The three remaining companies were oil and gas corporations; results in that industry are often volatile as they are tied to the price of oil, which plummeted between 2014 and 2016, but is now increasing. Results for all seven of these companies are included in the chart, except for Conoco Phillips which reported negative income/effective tax rate in Q1 2017.

double-digit drops in their effective tax rates, resulting in huge cuts over the same quarter last year.

Company	Sector	Q1 2018 Income Before Taxes	Q1 2018 Effective Tax Rate 2018	Q1 2017 Effective Tax Rate 2017	Change in Tax Rate	Q1 Tax Cut
Southwest Airlines	Airline	602	23%	36%	13%	79
Delta Air Lines	Airline	718	24%	34%	10%	73
United Airlines	Airline	184	20%	34%	14%	26
American Airlines Group	Airline	273	32%	36%	5%	13
Alaska Air Group	Airline	6	33%	35%	1%	0
Ford	Automotive	1,919	9%	29%	20%	382
Fiat Chrysler	Automotive	1,464	18%	40%	22%	321
General Motors	Automotive	2,518	19%	23%	4%	105
Bank of America	Bank	8,394	18%	27%	9%	798
Wells Fargo	Bank	7,501	18%	27%	9%	662
JPMorgan	Bank	10,662	18%	23%	5%	470
Citibank	Bank	6,090	24%	31%	7%	456
Goldman Sachs	Bank	3,419	23%	30%	7%	232
Starbucks	Fast Food	816	19%	33%	14%	117
McDonald's	Fast Food	1,888	27%	33%	6%	107
Restaurant Brands	Fast Food	289	1%	18%	17%	50
Yum! Brands	Fast Food	509	15%	19%	4%	22
Occidental Petroleum	Oil & Gas	1,047	32%	40%	8%	80
EOG Resources	Oil & Gas	813	22%	28%	7%	54
Exxon	Oil & Gas	7,240	34%	31%	+3%	-221
Chevron	Oil & Gas	5,073	28%	14%	+14%	-717
AbbVie	Pharma	3,249	8%	18%	11%	342
Pfizer	Pharma	5,597	16%	22%	6%	327
Amgen	Pharma	2,856	14%	19%	5%	140
Merck	Pharma	3,560	20%	21%	1%	37
Johnson & Johnson	Pharma	5,481	20%	21%	0%	20
Walmart	Retail	2,822	19%	33%	13%	373
Home Depot	Retail	3,142	23%	35%	12%	368
CVS Health	Retail	1,470	32%	37%	5%	76
Costco	Retail	1,071	29%	27%	+2%	-22
Kroger	Retail	*Q1 figures not released in time for inclusion in report*				
Apple	Tech	16,168	15%	25%	10%	1,678
Alphabet	Tech	10,543	11%	20%	10%	1,012
Microsoft	Tech	8,641	14%	23%	9%	742
Amazon	Tech	1,916	15%	24%	9%	173
Facebook	Tech	5,610	11%	10%	+1%	-56
AT&T	Telecom	6,141	23%	34%	11%	678
Verizon	Telecom	6,054	23%	31%	9%	515
Comcast	Telecom	3,994	20%	32%	12%	469

Notes: Figure in millions; Figures for all Pharma Companies except Johnson and Johnson are non-GAAP adjusted; GM figures are non-GAAP adjusted; Five companies report on different fiscal calendars: figures for Apple and Starbucks are Q2 2017/18, Microsoft and Costco are Q3 2017/18, Walmart figures are Q1 2019 (representing February, March and April of 2018); Goldman Sachs figures adjusted for tax benefits related to employee stock awards. See https://www.wsj.com/articles/the-four-biggest-u-s-banks-made-2-3-billion-from-tax-lawin-one-quarter-1523984836

Effects on Deferred Tax Liabilities and Assets
The change to the corporate tax rate also had one-time effects on certain tax items that corporations carry on their balance sheets. A deferred tax asset (DTA) is an asset that companies use to reduce their taxable income. A DTA is often created by a net operating loss that is "carried forward" to reduce taxes in the future. Many large U.S. banks, for example, carry large DTAs from their huge losses during the 2007-08 financial crisis. Since a DTA is calculated using the current corporate tax rate, the decrease in the rate under the new law lowered the value of these assets – a DTA created from $100 in losses which was previously valued at $35 is now worth $21. In the fourth quarter of 2017, Citibank, Bank of America, and other large financial institutions reported one-time charges related to TCJA because they must now write off their past losses at the lower rate.

On the other side of the ledger, corporations with large deferred tax liabilities (DTLs) reported massive gains from the change in the tax rate. Companies that used accounting techniques to defer paying taxes got an extra benefit from the corporate tax cut since it applies not only to their regular taxes but to the deferred taxes they were obligated to pay. Warren Buffet's Berkshire Hathaway was the largest single beneficiary of the rate cut on deferred taxes, recording a $29 billion benefit in 2017. In his annual letter to shareholders, Buffet noted the windfall that the tax act handed to the company, saying: "A large portion of our gain did *not* come from anything we accomplished at Berkshire."[15]

Half of the companies we examined in this report recorded a one-time gain from the decrease in their tax liabilities, including some of the tax act's biggest winners, which realized billions in benefits from having put off paying their taxes in the past:

Company	Industry	2017 Benefit from the Tax Law
AT&T	Communications	$20.3 billion
Verizon	Communications	$16.8 billion
Comcast	Communications	$12.7 billion
Exxon Mobil	Oil & Gas	$5.9 billion
Wells Fargo	Bank	$3.35 billion
EOG Resources	Oil & Gas	$2.2 billion
Chevron	Oil & Gas	$2.0 billion
CVS Health	Retail	$1.5 billion
Southwest Airlines	Airline	$1.4 billion

Shift to a "territorial" tax system
The new law also changes the corporate tax code from a "worldwide" system to a "territorial" system, one where profits earned overseas face a tax rate of at most 10.5 percent – or half the tax rate for corporate profits earned in the United States. (The law in fact allows companies to deduct half of their offshore income earned above 10 percent of the company's tangible assets, resulting in tax rates even lower than the 10.5 percent.) Numerous studies – including an April 2018 report by the Congressional Budget Office[16] – have noted that the new system creates incentives to offshore business operations and income.

In addition, the law rewarded U.S. corporations that made use of international tax avoidance schemes over the past decades. Prior to the act's passage, U.S. companies were allowed to indefinitely defer paying taxes on their foreign earnings, leading corporations to simply hold profits overseas to avoid paying the 35 percent rate. At the end of 2017, Fortune 500 companies had $2.6 trillion in offshore profits.[17] The new law required companies to "repatriate" those earnings but taxed them at extremely low rates – 15.5 percent on cash holdings and 8 percent on nonliquid assets.[18] By holding earnings overseas since 1986, U.S. companies were rewarded for avoiding paying taxes on those profits.

According to the Joint Committee on Taxation, U.S. companies will pay about $339 billion on their offshore earnings under the new law.[19] The Institute on Taxation and Economic Policy (ITEP), however, has estimated that prior to the tax act these companies owed roughly $752 billion – meaning that the law is handing U.S. multinationals a $413 billion tax break. And as ITEP notes, the corporations that benefit the most "are precisely those companies that have been the most aggressive in their use of offshore tax avoidance schemes."[20]

WHAT IS A C-CORPORATION?

A C-corp is a company whose profits are taxed separately from its owners, or a company that stands as an independent tax entity. C-corps are companies that you think of when you think of major publicly traded companies: Walmart, AT&T, Amazon. However, most businesses are classified as S-corporations, which is a corporation whose profits are taxed through an individual (an owner). S-corporations are also known as "pass-through entities," because the profits of an s-corp "pass through" to their owners.

The corporate tax cut applies only to those major corporations – just 5 percent of businesses in the country. However, that small slice of businesses earns 44 percent of business income. So, under this new corporate rate reduction, a small number of very large corporations will get a very large tax break.

In perhaps the most distorted characterization of the new law's effects, companies with significant overseas holdings reported large 2017 charges associated with the repatriation tax – often without plainly disclosing the massive savings they had recognized by deferring paying taxes on overseas profits until the corporate rate was slashed. Large technology and pharmaceutical companies – which for years had employed complex tax avoidance schemes by setting up subsidiaries in low-tax countries – reported billions in repatriation taxes to be paid over the next eight years, but it was up to investigative researchers to tease out the even larger tax savings that the new law handed these firms.

Apple, for example, loudly trumpeted the $38 billion it will pay to repatriate most of the $252 billion in cash that it held abroad. However, according to ITEP, the company would have owed over $78 billion on those earnings prior to the tax act – so it saved $40 billion by bringing the money home under the Republican tax law and not before. Similarly, ITEP estimated that Microsoft owed $45 billion on its overseas earnings prior to the tax law, while the company reported a repatriation tax of $17.8 billion, resulting in nearly $30 billion saved.

In contrast to its peers, Pfizer was more transparent in its financial disclosures, reporting both the $12.9 billion in repatriation taxes it paid, and the $22.8 billion tax benefit it received from the lowered tax rate on its foreign earnings. Unsurprisingly, the company recorded an overall $10.7 billion tax benefit in 2017 (accounting for other effects under the tax law) – seemingly a far more accurate representation of the tax windfall enjoyed by companies bringing home their foreign earnings under the new system.

WHO ARE CORPORATE SHAREHOLDERS?

Throughout this report, we will make reference to the ways corporations reward their shareholders over their employees and communities. However, not all "shareholders" are alike. It is true that the richest 10 percent of Americans own 84 percent of all stocks,[21] while those on the lowest end of the economic spectrum don't hold any at all, due to a lack of any kind of retirement benefits or savings.[22] However, working- and middle-class households have trillions of dollars of investments in the market through mutual funds, employee 401(k)s, and public employee and union pension accounts.[23] Their trading behavior looks very different from the richest Americans though. They are invested in the market for the long-term, not for the quarterly movement of any particular portfolio.

The policies that benefit wealthy individuals do not benefit these holders. Workers and middle-class Americans depend on decent jobs, and on long-term, steady share performance. These shareholders benefit from corporate reinvestment in infrastructure and growth – the strategies that promise long-term sustainability – and not from strategies that steer profits to shareholders in the short term in the form of buybacks and dividends.

CORPORATE CLAIMS IN CONTEXT

The days and weeks following the passage of the tax act saw a flurry of statements by U.S. companies, announcing how they would pass on tax savings to their employees, customers, and communities. Republican lawmakers and conservative groups like Grover Norquist's Americans for Tax Reform trumpeted corporate claims of worker bonuses, wage bumps, and increased investment and hiring. A closer look at some of these promises, however, suggests that companies may be putting a tax cut gloss on typical spending and investment decisions.

In January 2018, for example, Apple issued a statement claiming that the company would contribute $350 billion to the U.S. economy over the next five years. That figure included the company's current domestic spending – $55 billion per year, or $275 billion over five years – and its one-time repatriation tax of $38 billion. **In essence, Apple is congratulating itself for paying its taxes** – at the new law's low rates and after years of stashing earnings abroad to avoid the 35 percent corporate rate. The company even noted that its $38 billion payment was "likely be the largest of its kind ever made" without mentioning that the size of the payment was of course directly related to amount of cash the company had held overseas as a tax avoidance measure.[24] Despite its grandiose $350 billion claim, the company is really planning about $35 billion in new U.S. spending – which, as noted below, is in line with pre-tax act spending levels.

Across the companies examined in this report, we found bonuses that represent a tiny fraction of windfalls corporations received under the GOP tax law, modest wage increases driven by market conditions and mandated by state and local law, and investment levels that do not represent a significant increase over pre-tax act spending. In some industries, companies are not even making the PR effort – in March 2018, the Houston Chronicle reported that two of the country's largest companies, ConocoPhillips and Phillips 66, said the corporate tax cuts have had no effect on employee wages, bonuses, or investment plans.[25] And even with the falling unemployment rate, layoffs continue at roughly the same rate. Unsurprisingly, Morgan Stanley analysts expect only 13 percent of companies' savings from the new tax law to go to workers in the form of bonuses, raises, and employee benefits, while 43 percent of the savings will go to shareholders in the form of dividends and share repurchases, and 19 percent will fund mergers and acquisitions.[26]

Wage Increases

Key Takeaways:

- The wage increases announced by some of the companies included in this report represent a tiny fraction of their expenditures.
- Some of these companies were facing rising state and local minimum wage increases that coincided with passage of the tax law.

Seven companies in our study – two banks, along with five companies in the retail and fast food sectors – announced modest wage increases following the passage of TCJA. While the companies have put a TCJA-gloss on these increases, the wage bumps are largely a response to labor market pressures and increases in state and local minimum wages, and in some cases were underway well before the passage of the tax law. The increases should also be understood in the context of these companies' massive tax breaks, the extremely low pay at some of these workplaces (especially in comparison to CEO pay), and layoffs and closures quietly announced at the same time as the wage bumps (see Walmart and Wells Fargo examples in Layoffs section below). In addition, three of the seven companies that announced wage increases – Walmart, JPMorgan and Wells Fargo – are also among the five U.S. companies that have paid out the most since 2000 in penalties for wage theft violations, such as forcing employees to work off the clock or failing to pay required overtime.[27]

Costs in Context

The cost of wage increases and one-time bonuses should be understood in the context of other corporate spending, as well as the enormous tax breaks that the tax law is handing these companies. The boosts look particularly paltry in the banking sector, where companies are on track to see billions in tax cuts each year.

Company	New Base Wage	Cost to Company*	Compare to Q1 2018 Tax Cut	Compare to Top 5 Executives' Total 2017 Compensation	Compare to 2017 Advertising Budget	Key Comparisons: Cost of Wage Increase
JPMorgan	$15-$18	$137 million annual	$470 million	$99 million	$2.9 billion	Advertising budget is 20 times greater.
Wells Fargo	$15	$156 million annual	$662 million	$57 million	$614 million	Wells Fargo's 2017 $3.35 billion tax act benefit could pay for its wage increase for 20 years.
Costco	$14-$14.50	$110-$120 million annual	-$22 million; company saw $74 million benefit from tax act in previous quarter, and expects tax rate to fall over full 2018**	$25 million	n/a	In 2017, top 5 executives alone were paid a fifth of the cost of the wage increase.
CVS	$11	$425 million; includes other benefits that will decrease***	$76 million	$32 million	$230 million	When CVS-Aetna merger is finalized, Aetna CEO will receive payout of $500 million – larger than entire cost of CVS benefits.
Kroger	n/a	About $167 million ($500 million over three years)	Q1 results not available in time for report	$28 million	$707 million	Kroger's advertising budget is four times the cost of the wage increase.
Walmart	$11	$300 million annual; also made bonus claims	$373 million	$64.5 million	$3.1 billion****	Walmart's advertising budget is 10 times greater than cost of the wage increase.
Starbucks	n/a	$120 million annual	$117 million	$46 million	$282 million	Wage increase covered almost entirely by Q1 tax cut alone.

* Wage cost figures provided by Walmart, Starbucks, Kroger and Costco; cost estimated for JPMorgan and Wells Fargo, based on increase and number of affected employees

** Costco expects its tax rate to fall from 35 percent in 2017 to 28 percent this year; see https://www.wsj.com/articles/costco-to-raise-starting-wage-to-14-an-hour-1527807963

*** Includes wage increase, parental leave benefit, and cost of absorbing health care premium increases for 2018-19; company has only committed to absorbing increased health care costs for one year, so presumably that cost decreases after current health plan year.

**** FY 2018; In FY 2017, Walmart's advertising costs were $2.9 billion.

Labor Market Pressure
Low-income employers are under pressure to raise wages, with national unemployment at 3.8 percent and retail, fast food, and other establishments competing for workers.[28] Over the past year, low-wage workers saw faster wage gains than the rest of the U.S. workforce (the 10th and 20th percentile wage earners saw wage gains of 3.7 and 2.4 percent).[29] Walmart, CVS, and other retailers are facing the same wage pressures that compelled competitor Target to increase its base wage from $10 to $11 in September 2017 – months before the passage of TCJA.[30] Similarly, the banking industry also experienced a wave of increases prior to passage of the tax law: Bank of America raised its wage to $15 in December 2016,[31] and Citibank wages averaged $15.50 as of July 2016. Both JPMorgan and Wells Fargo had already instituted more modest wage increases in 2016 and early 2017 (Wells Fargo to $13.50,[32] and JPMorgan to $12-$16.50[33]) before the post-TCJA bumps, which simply brought their lowest wages in line with their peers.

Increases in State Minimum Wages
Wage increases at these companies are partially driven by mandated increases in the minimum wage. Local and state laws will lift the minimum wage to at least $11/hour in nine states in the coming year, and another five states will see minimum wages of at least $10/hour over the coming year.[iv] Significant numbers of these companies' employees work in locations where the minimum wage already equals the announced new base wage:

- Almost 250,000 Walmart employees – or over 16 percent of the company's workforce – work in states where the minimum wage is already $11/hour or will be going to $11 within the next year.[34]

- Over one-quarter of CVS Health's 9,803 retail locations[v] are located in states where the minimum wage is already $11/hour or will go to $11 within the next year. Over half, 545, are located in five states where the minimum wage is already at $10/hour (including Maryland, where the wage goes to $10.10 on July 1, 2018).[35]

- Wells Fargo is a major California employer,[vi] where the minimum wage rises to $15 by 2022 – and where large cities such as Los Angeles and San Francisco will reach $15 on a faster time scale.[36] The company is San Francisco's largest non-public sector employer, with 7,800 employees[37] – and the minimum wage rises there to $15 in July 2018.[38]

- Out of the 35 states where Kroger operates, 16 already have a minimum wage that is higher than the federal minimum.[39]

Increase Underway Prior to TCJA
In April 2018, the grocery chain Kroger issued a release touting a number of employee benefits in the wake of tax reform – but the company's trumpeting of its wage increase was a case of putting a TCJA-

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iv AZ, CO, CA, DC, ME, MA, NY, and WA are at $11/hour or will go to $11/hour in next year, OR will go to $10.75 on 7/1/18 and $11.25 on 7/1/19; CT, HI, MD, RI and VT are at $10/hour, or will go to $10/hour in next year, https://www.dol.gov/whd/minwage/mw-consolidated.htm and http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx.

v CVS had 9,803 retail locations as of December 31, 2017, including 8,060 stores and 1,695 pharmacies located within a Target.

vi The company is among the largest employers in Los Angeles County (http://www.laalmanac.com/employment/em21e.php), Orange County (http://www.locationoc.com/business-climate/major-employers/) and San Francisco gloss on a previously announced initiative. Kroger rolled out its "Restock Kroger" program in October 2017, in which it committed to a $500 million investment in associate wages, training, and development over the next three years.[40] The company's post-TCJA claims do not commit any further resources to wages, rather saying it will "accelerate" a portion of the previously committed funds. As an example of this "acceleration," Kroger notes an agreement with UFCW Local 75 that raised starting wages to $10 per hour for workers in the Cincinnati/Dayton area.[41]

Low Wages vs. Excessive CEO Compensation

Kroger and Walmart have both long come under fire for their extremely low wages, joining McDonald's at the bottom of the worker pay barrel. While the majority of Kroger's employees make at or close to minimum wage, even when the entire workforce is taken into account – including managers and executives other than the CEO – the annual total compensation for Kroger's median employee for 2017, including benefits, was only $21,075, or $4,025 below the poverty level for a family of four.[42] Kroger's CEO W. Rodney McMullen, in contrast, brought home $11.5 million in compensation in 2017. Walmart CEO Doug McMillon made almost $23 million last year, or 1,188 times the median employee's pay. CVS CEO Larry Merlo makes 320 times median employee pay at CVS based on his $12.3 million salary alone, but that doesn't reflect the additional $20 million he made last year by cashing in stock and options. And in the relatively better-paid banking industry, Wells Fargo workers received modest wage increases, while the company's CEO received a huge hike in compensation (as discussed below) – even as the bank is engulfed in scandal.

MCDONALD'S EDUCATION CLAIMS

Instead of raising wages, McDonald's announced it was increasing contributions to its employee tuition program, for a total allocation of $150 million over five years.[43]

To put the $30 million per year commitment in context, in 2017 McDonald's spent $532.9 million on advertising, and $66.6 million on compensation for its six top executives. CEO Steve Easterbrook's 2017 compensation was $21.7 million, up 42 percent from $15.3 million in 2016. The CEO to median employee ratio at McDonald's is 3, 101:1 – one of the largest gaps in the S&P 500.[44]

In 2015, McDonald's pledged to give a one-time raise of at least $1 above the local minimum wage to all employees at the roughly 1,500 stores it directly controls in the United States. But most of the approximately 14,000 stores in the country are run by franchisees who were not bound by that decision, and workers say the company has not kept pace with rising minimum wages in many markets.[45]

Bonuses

Key Takeaways:

- Bonuses offered to employees came with conditions and paled in comparison to other company expenditures or CEO compensation.
- Some companies regularly offer bonuses to their employees and have in the past, even without passage of a reduced corporate tax rate.

Ten companies in our study announced one-time cash bonuses immediately following the passage of the tax law. These synchronized announcements were timed intentionally; not only as a part of the GOP political spin surrounding the tax act, but as a tax-deductible business expense. By rushing to book their bonus deductions in 2017 at the old 35 percent corporate tax rate, the companies were provided with tens of millions of dollars more in savings than if they had waited until 2018.[46] These PR-driven bonuses make a negligible impact on the economy and represent an insignificant investment on the part of employers in context of their overall tax savings, profits, and expenses. In fact, these ten companies that awarded one-time bonuses averaging $1,100 per worker gave their CEOs 2017 cash performance bonuses (or "non-equity incentive plan compensation," just one component of their overall pay packages) averaging $3.2 million.

Insignificant Investment by Employers

The one-time bonuses represent a fairly insignificant employer investment compared to the benefits that the tax law handed some of these same companies in 2017 alone. AT&T got a $20 billion benefit and gave employees $200 million in bonuses, while Comcast rewarded its employees with bonuses worth $100 million, while pocketing $12.7 billion in 2017 tax benefits - meaning workers saw only one percent of the tax benefit as bonus pay. At Pfizer, the employee bonus also represents less than one percent of its $10.7 billion 2017 tax windfall. As seen in the chart below, these companies also enjoyed large tax cuts in the first quarter of 2018.

Company	One-Time Bonus	Cost to Company*	Compare to Q1 2018 Tax Cut	Compare to Top 5 Executives' Total 2017 Compensation	Compare to 2017 Advertising Budget	Key Comparisons: Cost of Bonus
Bank of America	$1,000	$145 million	$798 million	$75 million	$1.7 billion	Bank of America got a 5 times bigger tax cut in the first quarter of 2018 than it spent on bonuses.
Alaska Air Group	$1,000	$22 million	No Q1 tax cut	$17 million	$91 million	Bonuses cost 27 percent of the 2017 advertising budget.
American Airlines	$1,000	$130 million	$13 million	$32 million	$135 million	Bonuses were 23 percent less than the $170 million cash refund the company expects to receive in **each** of 2019 and 2020, beyond the effects of its slashed tax rates.
Southwest	$1,000	$70 million	$79 million	$21 million	$224 million	Bonuses more than covered by a single quarter's tax cut.
Home Depot	$1,000	$72 million	$368 million	$30 million	$995 million	Bonuses were one-fifth of Q1 2018 tax cut.
Walmart	$1,000	$400 million; also made wage claims	$373 million	$64.5 million	$3.1 billion**	Bonuses were one-eighth of advertising budget.
AT&T	$1,000	$200 million	$678 million	$74 million	$3.7 billion	Bonuses equal less than a third of Q1 2018 tax cut.
Comcast	$1,000	$100 million	$469 million	$143 million	$3.5 billion	Comcast's cost of bonuses is covered four times over by Q1 2018 tax cut.
Fiat Chrysler	$2,000	$120 million	$321 million	$16 million (Not including an additional $35.8 million in CEO stock grants.)[47]	$3.9 billion	Spent the same amount on employee bonuses as on a single*** 2017 product recall.
Pfizer	$1,000	$100 million	$327 million	$64 million	$3.1 billion	Employee bonuses were 3 percent of Pfizer's advertising budget.

* Wage cost figures provided by Bank of America, American Airlines, Walmart, AT&T, Fiat Chrysler, and Pfizer; cost estimated for Alaska Air, Southwest, Home Depot, and Comcast, based on size of bonus and number of affected employees.
**FY 2018; In FY 2017, Walmart's advertising costs were $2.9 billion.
** Following up on $486 million it spent on the same recall, of Takata air bag inflators, in 2016.

One Time Awards Have Limited Impact

One-time bonuses have far less benefit to workers and the economy than a permanent wage increase, as numerous financial analysts and economists have noted.[48] Increasing wages or other additive compensation elements, such as a 401(k) match, boosts employees' long-term savings and acts as an annuity, compounding over time to have a real impact on workers, their families, their communities, and the overall economy. Employers, however, prefer to give bonuses rather than salary increases because they generate goodwill without increasing fixed costs or making commitments to workers over the long term.[49] A growing preference over the past two decades among employers for one-time awards instead of raises was accelerated by the recession but did not reverse as the economy recovered: In 1992 spending on "variable pay," which represents bonuses, was 5.7 percent of payroll budgets, and salary increases were 4.6 percent. Those numbers are now 12.7 percent and 2.9 percent, respectively.[50]

ACCELERATED PENSION FUNDING

Companies such as Pfizer and AbbVie have announced they will accelerate contributions to their employee pension funds – with both companies characterizing the move as an increase in U.S. investment.[55] The accelerated contribution, however, does not increase benefits to workers, but simply reduces the company's own obligations. Further, companies are pushing forward pension contributions to take advantage of higher deductions on plan contributions. While the tax act lowered the corporate rate to 21 percent effective January 1, 2018, the law allows companies to continue deducting their defined-benefit pension plan contributions from their tax bill at the former 35 percent rate until mid-September 2018.[56] So when AbbVie makes its $750 million contribution this year, it will result in a $262.5 million tax deduction. After September, the value of the deduction will fall to $157.5 million for a contribution of the same size.[57]

Some Bonuses are Lower Than They Appear

Retailers like Walmart and Home Depot tied the size of bonuses to tenure, so that only employees who have been with the company for 20 years or more will receive the $1,000 maximum that was highlighted in their announcements. Few employees meet that requirement. The median tenure for retail workers is three years.[51] At Walmart and Home Depot, that work history results in a $250 bonus under the companies' bonus structure. And nearly a quarter of American wage and salary workers have logged less than a year with their current employer. In some cases, part-time workers will receive half – or even less – the amount promised to full-time workers.[52] In other cases, the bonus grant is even more arbitrary. In February 2018, a coalition of unions at Disney World filed an Unfair Labor Practices Charge with the National Labor Relations Board, accusing the company of withholding the promised $1,000 bonuses to 35,000 union members at its theme parks in Anaheim and Orlando unless those workers agreed to contract concessions.[53]

Bonuses Are Not Limited to the Tax Law

A number of companies in this study regularly give employees variable incentive pay that exceeds the TCJA bonus. In fact, data from the U.S. Bureau of Labor Statistics shows that almost 40 percent of private-sector workers received some kind of bonus in the year before the tax act's passage.[54] Alaska Air Group, for example, provided variable incentive pay for each of the past five years. The amount provided decreased $24 million, or 15 percent, from 2016 to 2017[vii] – just about the same amount as the cost of the one-time bonus the company awarded in January 2018[58] – indicating that the additional $1,000 will do no more than bring the company back in line with its prior spending.

At Southwest Airlines, the total cost of the TCJA bonus ($56 million) is much lower than the "contract ratification bonuses" that the airline regularly gives unionized employees every three to five years after reaching collective bargaining agreements. In 2016, for example, Southwest granted $356 million in ratification bonuses, and in 2015 it gave $344 million to employees.

We of course don't know whether these companies would have given more, less, or the same amount of incentive pay without the tax act, but it is clear that the most unique aspect of the highly-touted TCJA bonuses is neither their rarity nor their generosity, but rather their fanfare – a PR-driven stunt to curry favor with the Trump administration.

vii Alaska acquired Virgin in December 2016; 2016 figures include incentives provided by Virgin Airlines which the company reported as combined incentive pay: https://www.sec.gov/Archives/edgar/data/766421/000076642118000015/alk10-k123117.htm, p.43;

RESTRICTED STOCK UNITS

Five companies in our study announced that they would award restricted stock units (RSUs) to employees after Congress passed the tax act. RSUs are stock awards that are issued to employees with strings attached. Oftentimes, employees must meet performance milestones or, more likely in the case of non-executives, remain with their employer for a particular length of time in order for the units to vest. For two of the companies – Bank of America and Merck – the companies have not disclosed enough information to allow for an independent evaluation of the cost of the RSU awards. For the other three – Apple, Starbucks, and Verizon – the stock awards should be understood in the context of the stock and options awarded each year to company executives.

- Apple announced a bonus of $2,500 in restricted stock units for each of its employees below the "Senior Director" level after the tax law was passed. Apple does not provide a figure for the number of employees in that category among its total workforce of 123,000. Even if it went to all associates, the resulting $307.5 million expenditure for their entire labor force seems modest when compared to Apple's top executives. CEO Tim Cook and his top five most-highly paid managers together made $197.7 million in RSUs in 2017.

- Starbucks announced it would give stock grants totaling $100 million to store managers and certain plant and support center employees.[i] The top seven executives at the company made over half that amount – $53.7 million – in vested stocks and exercised options in 2017 alone.

- Verizon said it would give 50 RSUs (worth about $2,700) to about 155,000 employees at a total cost of about $418 million.[59] In 2017, four company executives alone made over $23 million in vested RSUs. Together, Verizon's top five named officers made almost $121 million in total compensation over the past three years. Moreover, Verizon's stock award represents only two percent of the $16.8 billion tax benefit that the tax act handed the company in 2017.

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i Although Starbucks does not disclose the number of eligible employees, its total U.S. workforce is 185,000; https://news.starbucks.com/press-releases/starbucks-announces-new-investments-in-paid-leave-wage.

Capital Spending and Hiring

Key Takeaways:

- The "increased" investment touted by many of the companies in this report is actually in line with previous years' capital spending.

In their campaign to sell the new law to the public, Republicans promised that corporate tax cuts would drive a U.S. investment boom. Corporations, newly flush with cash, would pour money into expanding their businesses and creating jobs in the United States. Data from the first quarter of 2018, however, provides little evidence that an investment boom is occurring: business investment grew at a 6.1 percent annual rate during the first three months of 2018, down from 6.8 percent in the last quarter of 2017, and from 7.2 percent during the first quarter last year.[60]

Fourteen companies in our study made announcements about their investment or hiring plans that were linked to the tax cuts.[viii] In some cases these announcements were made in statements touting the wonders of the tax act, and thus suggest that tax cuts are driving increases in capital expenditures (spending on property, plant, and equipment, or "capex"). Certainly, some of these companies have committed to increasing their U.S. capital spending, although how much those investment decisions were driven by the new law - and whether spending will reach promised levels over the coming years - is still to be seen.

> *This is Apple putting its best foot forward consistent with objectives of the administration.*

However, at many of the companies examined in this report, new investment commitments are completely in line with past spending levels and promised hiring does not outpace pre-TCJA employment growth. In many cases, it appears that companies are applying a tax plan-gloss to typical spending levels. When Apple trumpeted its U.S. investment plans in January, Wall Street analysts understood that the company was framing its regular course of business as a response to the Republican tax law. As the New York Times reported, "A. M. Sacconaghi, a financial analyst for Sanford C. Bernstein, said Apple had consistently spent tens of billions of dollars on areas like staffing and capital expenditures in recent years. Bringing back the overseas cash, he said, does little to aid its expansion. But it makes the company appear to answer Mr. Trump's call for more jobs to be created in the United States. 'This is Apple putting its best foot forward consistent with objectives of the administration,' Mr. Sacconaghi said."[61]

In other cases, increases in capital spending reflect a return to previous expenditure levels which had been lowered in response to market conditions - such as lower oil prices in the case of Exxon. At other companies like Fiat Chrysler, announced investments reflect shifts in spending decisions that that were underway well before the passage of the tax act.

Capital Spending In Line with Previous Years

We looked closely at companies trumpeting their plans for U.S. investment or hiring and found multiple examples where promised capital spending is completely in line with past levels and hiring commitments do not outpace pre-tax act employment growth.

Apple

Investment Claim: Apple is planning about $35 billion in new U.S. spending in two main ways. The company says it will spend over $30 billion in capital expenditures in the United States over the next five years, including establishing a technical support campus in a new location, and

viii This number includes companies that released statements directly linking increased U.S. investment or hiring to the tax act, and companies whose spending plans were touted as examples of tax cut-driven spending by organizations like Americans for Tax Reform.

investing in data centers. The company is also increasing the size of its Advanced Manufacturing Fund, which provides grants to other companies, from $1 billion to $5 billion.[62]

Typical Spending Levels:

- Apple plans to spend $16 billion in global capital expenditures in 2018 (note that actual spending has been slightly lower than guidance for four of the past five years), and this spending has already roughly doubled since 2013.

	Actual Global Spending	Prior Year Guidance
FY 2017	$14.9 billion	$16 billion
FY 2016	$12.8 billion	$15 billion
FY 2015	$11.2 billion	$13 billion
FY 2014	$11 billion	$11 billion
FY 2013	$7 billion	$10 billion

- Apple's commitment of $30 billion in U.S. capital expenditures over the next five years averages $6 billion per year. While the company does not break down its global spending by country, $6 billion per year in U.S. spending is roughly in line with what would be expected – a little over one-third to one-half of global capital expenditures – raising questions about just how much of an increase the $30 billion actually represents and, further, whether the tax law is affecting Apple's capital spending levels in any significant way. Indeed, the company itself notes that over the past decade it has invested billions of dollars in data centers and other facilities in seven U.S. states, including North Carolina, Oregon, Nevada, Arizona, and a new project in Iowa, announced prior to the passage of TCJA.

Hiring Claims: In its January statement, Apple said it will create 20,000 new U.S. jobs over the next five years.

Typical Hiring Levels: Apple's promise to hire 20,000 U.S. workers represents a 25 percent increase over its current U.S. workforce of 84,000. But news reports say Apple had 50,000 U.S. employees in 2013,[63] meaning that its U.S. workforce has grown at more than double that rate – almost 70 percent – over the past five years.

APPLE'S ADVANCED MANUFACTURING FUND – REBRANDED PAYMENTS TO SUPPLIERS

In January Apple announced that it would increase the size of its Advanced Manufacturing Fund from $1 billion to $5 billion. Apple says the Fund was created to "support innovation among American manufacturers and help others establish a presence in the US" and touts it as a job creation mechanism. However, Apple has actually been using this Fund to grant "awards" that are really just prepayments to suppliers (a practice that the company has employed for years). In December 2017, for example, Apple awarded $390 million from the Fund to Finisar, a chip and laser manufacturer. After the award was reported as an investment in Finisar, Apple was forced to issue a statement clarifying that it had not purchased any debt or equity from the company - the money was simply a payment for future orders.[64] Given that Apple already spends $55 billion with domestic suppliers and manufacturers each year, the addition of $1 billion - or $5 billion - in spending is unlikely to drive much in the way of job creation.

AT&T

Investment Claim: After the Republican tax plan became law, AT&T said it would invest $1 billion more than expected in the U.S. in 2018.[65]

Typical Spending Levels: AT&T's increased spending in 2018 represents a small portion of the $25 billion it plans to spend in 2018, most of which is tied to a broadband deal that precedes the tax act. In March 2017, AT&T was selected by the First Responder Network Authority (FirstNet) to build and manage the nationwide public safety broadband for police, firefighters, and emergency medical services.[66] Capital expenditures for 2018 include $23 billion resulting directly from expected FirstNet investments and reimbursements. AT&T spent $21.6 billion in capital expenditures in 2017, $22.4 billion in 2016, and $20.0 billion in 2015.[67]

Comcast

Investment Claim: Comcast Chairman and CEO Brian Roberts announced in December 2017 that Comcast expects to spend "well in excess of $50 billion" in infrastructure investments over the next five years. The company claimed that those investments will add thousands of new "direct and indirect" jobs.[68]

Typical Spending Levels: Investments of $10 billion per year over the next five years is completely in line with Comcast's spending on infrastructure in the three years prior to passage of the tax law: $9.6 billion in 2017, $9.1 billion in 2016, and $8.5 billion in 2015. In the first quarter of 2018, capital expenditures decreased 5 percent from the year-ago quarter.[69]

Johnson & Johnson

Investment Claim: In its Q1 2018 earnings release, Johnson & Johnson announced, "The U.S. tax legislation passed late last year is creating the opportunity for us to invest more than $30 billion in R&D and capital in the U.S. over the next four years, which is an increase of 15%."[70]

Typical Spending Levels: A January 2018 Bloomberg report notes that the company has always been among the industry's largest spenders on R&D, and that 2017 marked its biggest reported annual increase in R&D spending in a decade.[71] A 15 percent increase in R&D and capex investment over the next four years would be a fairly direct continuation of the global trendline over the past four years. However, Johnson & Johnson does not break down its R&D or capex spending by region, so it is not possible to pull out the level of U.S. spending over the past four years.

	2017	2016	2015	2014	4-Year Increase
R&D	$10.6 billion	$9.1 billion	$9 billion	$8.5 billion	
Capex	$3.3 billion	$3.2 billion	$3.5 billion	$3.7 billion	
Total	**$13.9 billion**	**$12.3 billion**	**$12.5 billion**	**$12.2 billion**	**13.9 %**

Pfizer

Investment Claim: In its Q4 2017 press release, Pfizer announced a number of tax act-driven initiatives, including $5 billion in U.S. capital investment over next five years.[72]

Typical Spending Levels:

- Pfizer's overall capital spending for the coming year is in line with previous years. The company plans to spend $2.3 billion globally in 2018, an increase of 15 percent over 2017. Global capital spending has increased from $1.2 billion in 2013 to $2.0 billion in 2017, growing an average of 16.6 percent each year.

- Pfizer's U.S. investment commitment averages $1 billion per year. The company does not break down its spending by region. However, 50 percent of the company's capital assets are located in the United States, so $1 billion – less than half of the anticipated $2.3 billion in 2018 global spending – seems completely in line with what would be expected.

- It's also unclear how much of the promised $5 billion increase applies to projects already underway, including a planned expansion of Pfizer's global manufacturing campus in Portage, Mich. A statement by U.S. Representative Fred Upton implies that at least a portion of the $5 billion commitment will be directed toward existing capital plans. "This started two years ago," Upton said of plans for Pfizer's current expansion in Portage.[ix]

Southwest Airlines

Investment Claim: In January, Southwest Airlines said it would increase its fleet investment with Boeing. At the time, the company said it was exercising its options for 40 Boeing Max 8 planes for 15 orders in 2019, and 25 orders in 2020.[73] In April, the company revised its order delivery schedule, still exercising the 40 options, but in the form of 10 orders each year from 2019 through 2022.[74]

Typical Spending Levels:

- Southwest's investment in new aircraft is predictable, as it is experiencing a dip in its fleet this year. The company retired 30 of its oldest planes at the end of September 2017, and began swapping in new, larger, and more fuel-efficient planes. Further, while the new Boeing order reflects the acceleration of its order of 737 Max 8 planes, the company also announced that it had delayed orders for 23 of Boeing's older Max 7 aircraft. Southwest also noted that the Max 8 orders will not affect its capacity growth this year.[75]

- In its most recent earnings release, Southwest announced, "Due to revisions to its future fleet order book with Boeing, the Company now estimates its 2018 capital expenditures to be in the $2.0 to $2.1 billion range."[76] The company had $2.1 billion in capital spending in 2017, and $2 billion in both 2016 and 2015. (The majority of that spending is payments for new aircraft, but the figure also includes airport and other facility construction projects.) Capital expenditures were slightly down in the first quarter of 2018 versus the same quarter last year ($409 million versus $414 million).[77]

Starbucks

Hiring Claims: In a January 2018 press release announcing a number of initiatives that the company says were accelerated by the tax law, Starbucks also "reaffirmed" its commitment to create 8,000 new retail jobs and an additional 500 manufacturing jobs at a plant in Georgia.[78]

Typical Hiring Levels: The commitment to create 8,000 new retail jobs and 500 new manufacturing jobs does not represent a tax act-fueled change. First, Starbucks does not indicate how many of the 8,000 retail jobs would be in the United States. Second, the 8,500 increase represents growth of only 4.5 percent of U.S. employees, significantly less than the company has added in the past several years:

ix The company says it has invested $1 billion in the Portage facility over the past ten years and plans to invest $190 million per year for several more years. http://www.mlive.com/news/kalamazoo/index.ssf/2018/02/pfizer_warehouse_part_of_147m.html

Year	All Starbucks Employees		U.S. Starbucks Employees	
	Total	Increase over Previous Year	Total	Increase over Previous Year
2014	191,000	5%	141,000	3%
2015	238,000	25%	157,000	11%
2016	254,000	7%	170,000	8%
2017	277,000	9%	185,000	9%
2018*	285,500	3%	193,500	4.5%

* 2018 projected increase of 8,500 employees

Verizon

Investment Claim: In January 2018, CEO Lowell McAdam told CNBC that Verizon would be using some of its tax reform savings to invest in the company's network.[79]

Typical Spending Levels: Capital spending for 2018 will be in the range of $17.0 billion to $17.8 billion, including the commercial launch of 5G.[80] This is entirely in line with previous years (capital expenditures of $17.2 billion in 2017, $17.1 in 2016, and $17.8 billion in 2015).[81]

TWO CASE STUDIES: EXXON AND FIAT CHRYSLER

Exxon

In a January 2018 blog post, Exxon Mobil Chair and CEO Darren Woods said it plans to invest an additional $35 billion in the United States over the next five years, as a result of the company's strong performance "enhanced by the historic tax reform recently signed into law." In the post, Woods said Exxon would invest $50 billion over five years, but a spokesperson later clarified that the company had already announced $15 billion of that spending.[82]

As part of the investment, Exxon plans to increase production in the Permian Basin, a shale oil region in western Texas and eastern New Mexico where the low cost of production has attracted drillers. Exxon said it will expand its operations, make improvements to infrastructure, and construct manufacturing sites. In February 2017, Exxon doubled its holdings in the Permian through a $6.2 billion acquisition.[83]

Exxon's plans to spend $50 billion in U.S. exploration and capital spending over the next five years are likely more attributable to rising oil prices and new investments than to Trump's tax cut. Capital expenditures across the oil and gas industry dropped dramatically over the past few years, as oil prices plummeted (from about $100/barrel in mid-2014 to below $30 in early 2016). Exxon slashed its capital budget by almost half between 2013 and 2016.[84] However, before the price drop, Exxon and its peers spent billions in capex each year – Exxon alone spent about $50 billion in U.S. capex between 2010 and 2014.

With oil prices rebounding (recently reaching their highest level since the end of 2014[85]), Exxon had already begun to boost overall capital expenditures, which rose 20 percent from 2016 to 2017. The acquisition of the Permian Basin holdings in 2017 clearly would have increased U.S. investment even in the absence of the Republican tax plan **– by July 2017, the company was already announcing plans to increase drilling in the Permian, months before the passage of TCJA.**[86] In March 2018, Exxon said it would spend $24 billion in capital expenditures for 2018, $28 billion next year, and an average of $30 billion from 2023 to 2025[87] – at a level lower than its spending prior to the crash in oil prices in 2014.

Exxon Mobil Capital Expenditures, in millions

	2017	2016	2015	2014	2013	2012	2011	2010
U.S. Spending	$6,212	$6,003	$10,994	$12,436	$11,072	$12,157	$11,654	$7,797
Non-U.S. Spending	$16,868	$13,301	$20,057	$26,101	$31,417	$27,642	$25,112	$24,429
Total	**$23,080**	**$19,304**	**$31,051**	**$38,537**	**$42,489**	**$39,799**	**$36,766**	**$32,226**

Fiat Chrysler

On January 11, 2018, Fiat Chrysler announced that it will invest more than $1 billion to modernize its Warren, Mich., Truck Assembly Plant in order to relocate production of the Ram heavy duty truck from its current production location in Saltillo, Mexico, in 2020.[x] The company said the investment would create 2,500 new jobs and was made possible in part by the passage of TCJA. "It is only proper that our employees share in the savings generated by tax reform and that we openly acknowledge the resulting improvement in the U.S. business environment by investing in our industrial footprint accordingly," CEO Sergio Marchionne said in a press release.[88]

> *"The added benefit of the investment in Warren is that it will enable the plant to produce the Ram heavy duty truck, which is currently produced in Mexico" – in other words, the project to revamp the Ram production line was underway ten months before the passage of the law.*

But the company was already shifting production toward the United States, under an investment plan announced a year earlier that included the modernization of the Warren plant. On January 11, 2017, Fiat Chrysler announced a $1 billion investment in plants in Michigan and Ohio, which would result in the creation of 2,000 jobs. The company said the money would be used to retool and modernize the Warren Truck Assembly Plant to produce the Jeep Wagoneer and Grand Wagoneer, and the south plant of the Toledo Assembly Complex in Ohio to build an all-new Jeep pickup truck. The Fiat press release on the investment explicitly noted, "The added benefit of the investment in Warren is that it will enable the plant to produce the Ram heavy duty truck, which is currently produced in Mexico" – in other words, the project to revamp the Ram production line was underway ten months before the passage of the law.

The company's post-TCJA press release simply "confirmed" its investment in the Warren plant, and increased spending at the facility from a portion of the $1 billion announced in 2017 to over $1 billion.[xi] (Fiat has already invested $10 billion in its U.S. manufacturing operations since June 2009.)

Fiat's tying of tax reform to an investment decision already underway for a year is a fairly transparent attempt to curry favor with Trump. Trump's threats to withdraw from the North American Free Trade Agreement (NAFTA) have concerned automakers and suppliers since his inauguration. "At least making Trump's tax plan look like it's rewarding workers very quickly should bode well with the administration," an analyst at AutoPacific Inc. told Bloomberg about the Fiat announcement.[89] Reuters further noted that the shift to Michigan "lowers the risk to the automaker's profit" should Trump exit NAFTA.[90]

Overall, the tax law does not seem to be accelerating Fiat Chrysler's investments in production growth, as the company's global capital expenditures are expected to be lower in 2018 than in previous years:

x The Saltillo Truck Assembly Plant will be repurposed to produce other commercial vehicles for global distribution.
xi The 2,500 new jobs are in addition to the 2,000 previously announced.

	Capital Expenditures
2018	$9.4-$10 billion (projected)
2017	$10.2 billion
2016	$10.3 billion
2015	$10.3 billion

Further, Fiat Chrysler's commitment to create 2,500 new jobs is not particularly ambitious. Although we don't know how many new hires Fiat Chrysler will make altogether in 2018, in 2017, without the tax plan or trade agreement-related impetus, the company added 7,690 new employees in North America alone. If it adds only the 2,500 new U.S. workers, it will represent a decline in job growth compared to prior years. (Note: the company does not break down its regional employee figures by country, so shifts between the U.S. and Mexico will not impact the North American totals.)

Fiat Chrysler North American Workers

Year	Number of Workers	Increased Workers	Percent Change
2018*	104,640	2,500	2.4%
2017	102,140	7,690	8.1%
2016	94,450	4,249	4.7%
2015	90,201	N/A	N/A

* Projected, based on claim of 2,500 new workers in U.S.

DEMANDING LOCAL TAX BREAKS

In its search for a new headquarters location, Amazon has triggered a public race-to-the-bottom as communities compete with one another to offer tax breaks and other financial incentives to lure the company.[91] And in May 2018, in response to a proposed local tax on large employers to address homelessness and housing affordability, the company halted construction on a new office tower in Seattle, forcing the City Council to repeal the tax increase less than a month after it was approved.[92] Yet Amazon received a $789 million tax benefit from the new tax law in 2017, and the company received a $173 million tax break in the first quarter of 2018.[93]

The Republican tax plan was sold to the public as a way to grow the economy, with corporate America claiming it will use the tax breaks to expand its U.S. presence and strengthen local communities. Yet these corporations are now demanding local tax breaks from cash-strapped localities after receiving massive windfalls from TCJA:

- Even as it enjoys a $10.7 billion benefit from federal tax reform,[94] **Pfizer** demanded an exemption for an expansion project at its Portage, Mich., facility that would cut its property taxes in half for six years, costing Portage and Kalamazoo County over $32 million in cuts to schools, libraries, and other city departments.[95]

- In April 2018, **Amgen** announced it will build a $165 million biopharmaceutical plant adjacent to its West Greenwich, R.I., manufacturing campus.[96] Among the many U.S. corporations that are benefitting from TCJA provisions that allow the repatriation of foreign earnings at low rates,[97] in the first quarter of 2018, the GOP tax bill also handed the company a $140 million tax cut. Yet Amgen is still demanding local tax breaks for the expansion. On April 11, 2018, the Rhode Island Commerce Corporation board approved tax credits that could total $9.45 million for the development.[98]

Layoffs

Key Takeaways:

- More than half of the corporations included in this study laid off workers in the past six months despite their tax breaks under the Republican tax law.
- The pace of layoffs has not slowed since passage of the tax act.

The U.S. economy has been steadily improving and adding jobs since 2010. Declines in unemployment over the past six months simply extend a trend that preceded the passage of the tax act by years.[99] Moreover, corporate tax breaks have not resulted in a change of corporate behavior where plant closings and layoffs are concerned.

The involuntary layoff and discharge rate has held fairly steady, between 14 and 14.7 million in each of the five years of 2013-17. In 2018, layoffs have occurred at a rate of 1 to 1.2 million per month, fairly consistent with the relatively narrow monthly range (1.1 to 1.2 million) in the year before passage of the tax act.[100]

The following 22 companies in our study have laid off workers in the past six months, since the tax act's passage, according primarily to federal Worker Adjustment and Retraining Notification Act (WARN Act) notices.[xii] Due to the limitations of the WARN data (see box), we have also drawn from press reports or federal Trade Adjustment Assistance petitions where they are available.

xii Two other companies in our study, Citigroup and McDonald's, have also warned of impending layoffs. McDonald's said it would restructure and eliminate its current regional management organization, but did not disclose the number of employees who would be affected. Citigroup could eliminate half of its 20,000 technology and operations staff in the next five years due to automation.
https://www.reuters.com/article/us-mcdonalds-restructuring/mcdonalds-to-post-80-90-million-charges-for-restructuring-layoffs-idUSKBN1J81O1
https://www.reuters.com/article/us-citigroup-layoffs/automation-could-thin-citigroups-investment-banking-unit-jobs-ft-idUSKBN1J72IX

Company	Sector	Number of reported layoffs since passage of TCJA	Affected States
Fiat Chrysler	Automotive	850 temporary	OH
Ford	Automotive	9,600 temporary	MI, MO
General Motors	Automotive	1,520	MI, OH
Bank of America	Bank	708	CA, GA, ME
Citigroup	Bank	57	SD
Goldman Sachs	Bank	39	IA
JPMorgan Chase	Bank	35	KY
Wells Fargo	Bank	1,442	CA, NE, NC, IN, MI, OH, SD, TX, WI
AT&T	Communications	2,000	CA, CT, FL, IL, IN, MD, MA, MI, MO, NY, NC, OH, TX, VA, WI
Comcast	Communications	790	GA, FL, IL
Verizon	Communications	2,400	AR, CA, MN, NM, SC
ExxonMobil	Oil & Gas	232	NM
Amgen	Pharma	121	CA
Johnson & Johnson	Pharma	340	PA
Merck	Pharma	50	NC
Pfizer	Pharma	355	CT, MA, NY
CVS Health	Retail	53	CA
Kroger	Retail	1,586	NC, TX, VA
Walmart	Retail	12,200	AL, AK, AZ, CA, CT, FL, GA, IL, IN, LA, MA, MI, MN, MS, NH, NJ, NY, NC, OH, SC, TN, TX, UT, VA, WA, WI
Amazon	Tech	Hundreds reported	NJ, VA, WA
Apple	Tech	52	NJ
Microsoft	Tech	Hundreds reported	WA, other

Communications companies

The big three U.S. communications companies – AT&T, Verizon, and Comcast – all announced layoffs at the same time they were actively touting the benefits of the new tax law. According to press accounts and figures provided by the Communications Workers of America, AT&T sent pink slips to up to 2,000 U.S. workers in December,[101] including hundreds of technicians and customer service representatives in late December in Wisconsin, Indiana, Missouri, Michigan, Illinois, and Ohio.[102]

In early 2018 Verizon Wireless announced the closures of seven of its 16 customer service call centers, resulting in layoffs or relocations of thousands of employees. Workers will be laid off or relocated in Mankato, Minn. (300 workers); North Charleston, S.C. (500 workers); Albuquerque, N.M. (1,000 workers); and Little Rock, Ark. (600 workers).[103] Hundreds of additional employees at now-shuttered call centers in Alabama, Ohio, and Tennessee may avoid layoffs if they agree to work in less secure positions from home under certain required conditions, but many not be able to take this option.[104] And hundreds of Comcast door-to-door salespeople were fired from their jobs right around Christmas 2017.[105] The job losses have continued through the spring. Verizon Wireless is in the process of closing company-owned retail stores which are then immediately re-opened by "authorized resellers," including five in West Virginia and Kentucky. Sometimes employees are giving the option to continue, but at drastically reduced pay.[106]

Banks

Less than a month after Wells Fargo trumpeted wage increases – and despite being among the largest corporate beneficiaries of TCJA[107] – the company announced it will close almost 900 branches by 2020, including

OTHER NOTABLE POST-TAX ACT LAYOFFS

Other publicly traded companies with big post-TCJA layoffs include:

- **Kimberly Clark** stated explicitly in January that it would use its gains from the tax act to help offset the cost of a corporate restructuring – one that cut 13 percent of the company's jobs (between 5,000 and 5,500 workers) as it shuttered factories and reorganized operations.[108]
- **Tenet Healthcare** announced 1,300 upcoming job cuts in October 2017, then *boosted* that figure after passage of the new law, to 2,000 in January 2018, or roughly 2 percent of its workforce.[109]
- **Harley-Davidson** announced it will close its Kansas City, Mo., plant in 2019, resulting in job losses for 800 Missouri workers.[110] Harley opened its manufacturing facility in Kansas City in 1997 after state and local governments offered it tens of millions of dollars in tax credits and other incentives. Twenty years later, and just weeks after the Trump tax cuts, Harley announced it was shifting production to York, Pa. Even accounting for the new hires there, 350 net jobs will be lost. Last year Harley announced it was opening a new manufacturing plant in Thailand.[111] Though the company denies it, a union representing Harley workers sees a clear connection between the Kansas City plant closing and the new operation in Asia.[112] Less than a week after announcing the Kansas City plant closure, Harley said it would buy back nearly $700 million[i] of stock, plus raise its dividend.[113]

i Based on the stock's closing price on the day of the announcement.

250 this year[114] (in June 2018, it sold 52 branches, affecting 490 employees in Indiana, Michigan, Ohio, and Wisconsin).[115] The bank closed more than 200 branches in 2017.[116] Regulators have placed restrictions on Wells Fargo's growth, and the company plans to reduce expenses by $4 billion over the next two years.[117] In the six months since the tax law passed, Wells Fargo has laid off at least 1,442 workers, including 593 in North Carolina and 108 in South Dakota.

This year Bank of America has made a number of hiring announcements, despite having closed about 1,500 branches between 2010 and the end of 2017.[118] The overall impact on the total number of employees at the bank is not clear as the company continues to close branches and lay off employees.[119] A week after the announcement, for example, Georgia Department of Economic Development's Workforce Division reported that the company is laying off 103 employees at its Kennesaw, Ga., office.[120] And in May, the company said it would close its corporate office in Pasadena, Calif., resulting in 575 layoffs.[121]

Automotive

In April 2018, General Motors confirmed it plans to eliminate a shift at its assembly complex in Lordstown, Ohio, resulting in the permanent layoff of 1,500 workers. In February, 20 UAW dues-paying temporary workers were laid off at GM in Saginaw, Mich.[122] Ford will lay off 2,000 workers from May to October of 2018 at its Michigan assembly and stamping plants in Wayne, as the factories undergo retooling.[123] The company also announced in May that it is suspending production of the F-150, the best-selling truck in the United States, after a fire at its parts supplier Meridian Lightweight Technologies. The suspension will result in temporary layoffs of 7,600 Ford workers in Dearborn, Mich., and Kansas City, Mo.[124] Fiat Chrysler employees also will be out of work for more than six months in 2018 as the company shifts production between plants in Toledo, Ohio.[125]

Retail

The tax cuts have failed to revive the retail sector, which as a whole has struggled in 2018, with many thousands of layoffs, massive store closures and in some cases bankruptcies at chains such as Sears, Bon-Ton, Toys-R-Us, Macy's, JC Penney, and others. The layoffs at Walmart, with the highest revenues of any corporation in the U.S., are more shocking. Hours after it trumpeted the TCJA bonuses, Walmart also announced that it was closing 63 Sam's Club stores across the country, eliminating approximately 10,000 jobs.[126] In January 2018, the Wall Street Journal reported that Walmart was planning up to 1,000

TRUMP'S BROKEN PROMISE

Carrier Corporation laid off 738 steelworkers in Huntington, Ind., in 2017[127] when their jobs were moved to Mexico, even as Trump touted his own role in negotiations to keep open another Carrier plant, in Indianapolis, in exchange for $7 million in state tax breaks. The deal was supposed to save 730 manufacturing jobs, but Carrier subsequently laid off 338 Indianapolis workers in July 2017 and another 215 after TCJA passed, in January 2018.[128] Those jobs, too, are going to the company's plant in Monterrey, Mexico, where workers make about U.S.$3.00 per hour.[129] In May, Carrier's parent company said that "The competitive tax system resulting from U.S. tax reform is encouraging global companies, such as United Technologies, to make long-term investments in innovation in America," and highlighted several recent U.S .capital investments (most of which were already underway well before TCJA).[130] Based on its record of reneging on jobs despite earlier tax breaks, workers are skeptical.

layoffs at its corporate offices in Bentonville, Ark., by January 2019.[131] The WARN data reflect over 1,200 additional layoffs at Walmart locations in California, Georgia, Illinois, Indiana, New Jersey, South Carolina, Utah, and Virginia in the past six months. In June 2018, Kroger announced it would eliminate 1,500 positions when it closes all of its stores in North Carolina's Triangle Region.[132]

Tech

In January 2018, multiple press accounts, corroborated by the company, noted that "hundreds" of Microsoft jobs across multiple business areas at its corporate offices in Redmond, Wash., and other locations had been suddenly cut. In February 2018, it was widely reported in the press that Amazon would lay off workers, primarily in its consumer retail business,[133] at its headquarters in Seattle, with additional cuts in various other locations.[134] The company did not give a total, but reports from insiders ranged from "in the low hundreds"[135] to "several hundred" in Seattle and "hundreds more" elsewhere.[136] The WARN data reflects that in March 2018, 77 Amazon workers in Jersey City, N.J., and 67 in Sterling, Va., were told they would be laid off in the next two months. In May 2018, Pinnacle Logistics, a Texas-based company that provides distribution services for Amazon, announced it is shuttering operations at TF Green Airport in Rhode Island and moving operations to Bradley International Airport in Connecticut, affecting 149 workers. Amazon confirmed it made the decision for the change and said workers who wanted to stay with the company at the new location would be given hiring preference. Union leaders believe that the relocation is an act of retaliation for workers' attempts to organize and have filed a National Labor Relations Board charge to that effect.[137]

UNDERSTANDING WARN DATA[138]

WARN does not include all layoffs. Only large employers must file notices and only under certain circumstances. Employers must file WARN notices if they have 100 or more employees, not counting employees who have worked less than 6 months in the last 12 months and not counting employees who work an average of less than 20 hours a week. Only private, for-profit companies must file WARN notices. A covered employer must give notice if:

- An employment site will be entirely shut down, resulting in an employment loss for 50 or more employees during any 30-day period.
- There is to be a mass layoff of 500 or more employees, or 50-499 employees if they make up at least 33 percent of the employer's active workforce, within any single 30-day period (or if the employer lays off two or more groups of workers that therefore meet this threshold within a 90-day period)

Further, not all states make their WARN data publicly available. Some states consider the information confidential by statute and do not make it available via Freedom of Information Act request. Others seldom update their data or fail to enforce it at the state level. The result is that states with the strongest worker protections tend to report higher figures than states with a weaker regulatory framework.

HOW COMPANIES ARE SPENDING THEIR TAX ACT WINDFALLS

The previous section of our report looked at the claims made by GOP tax law proponents and corporations themselves about how the changes in the corporate tax rate would result in direct worker benefits and increased investments in jobs and growth. As we've seen, those claims have been misleading. So what are companies actually doing with their tax plan savings?

Stock Buybacks

Key Takeaways:

- **Twelve of the biggest companies in the country announced stock buyback programs after the tax law was passed, totaling $177 billion.**
- **Stock buybacks reward wealthy shareholders and can help boost executive pay, but do not contribute to the company's investments in its growth or workforce.**

The post-tax act share buyback explosion has been widely reported. As soon as the law passed through Congress, corporations began repurchasing shares at a record pace. U.S. companies announced $178 billion in buybacks from January 1-February 26, 2018, the highest number ever recorded in a single period.[139] In May 2018, Apple announced a record $100 billion share buyback program. Repatriating its foreign-held cash under the tax act's low rates allowed the company to repurchase $23.5 billion in shares in the first quarter of 2018, a record amount for any U.S. company.[140] U.S. companies are currently on pace to buy back $1 trillion in shares in 2018.[141]

A stock buyback is when a publicly traded company buys its own shares in the stock market. A company will do this when it has cash on hand to boost the value of its stock. Because a stock buyback decreases the number of shares on the market, shareholders own a greater relative share of the company. A buyback program also has the effect of increasing the overall earnings per share, or EPS. EPS is a ratio of company earnings divided by the total number of shares, and since there are now fewer shares on the market, the ratio goes up. EPS is often used as a metric for executive compensation, so by increasing EPS, a buyback often helps executives boost their own pay.

The Republican tax breaks gave companies an influx of cash. Companies have the option of investing that cash into their business – either by expanding capital expenditures, or boosting employee pay, or hiring more workers. Or they can choose to undertake a stock buyback program. In the first quarter of the year, large companies spent more on stock buybacks than they did on investment: S&P 500 companies spent $178 billion on buybacks, and $166 billion on capital expenditures, a figure that includes total – not just U.S. – investment.[142]

Twelve of the companies in our study have announced buybacks since the passage of the tax act, totaling $177 billion, including Apple. In January 2018, Wells Fargo announced it had authorized an increase of

350 million shares to its repurchase program, at a value of approximately $20 billion.[xiii] Pharmaceutical company AbbVie and biotech firm Amgen have both announced $10 billion repurchase programs since the new law was passed, and Facebook and Alphabet (Google's parent company) have also announced buyback authorizations of around $9 billion.

Company	Industry	Stock Buyback Amount
Apple	Tech	$100 billion
Wells Fargo	Bank	$22 billion
AbbVie	Pharma	$10 billion
Amgen	Pharma	$10 billion
Facebook	Tech	$9 billion
Alphabet	Tech	$8.6 billion
Starbucks	Fast Food	$5.9 billion
Comcast	Telecom	$5 billion
Kroger	Retail	$2.2 billion
American Airlines	Airline	$2 billion
Southwest Airlines	Airline	$2 billion
Conoco Phillips	Oil & Gas	$500 million

A number of companies also announced major repurchase programs in the days leading up to the passage of TCJA, including Pfizer which authorized a $10 billion buyback program on December 18 (two days before Congress passed the act), and Home Depot, which announced a $15 billion buyback in December.

Mergers and Acquisitions

Key Takeaways:

- Companies are using their tax breaks to fund acquisitions rather than organic growth – often resulting in workforce reductions.

Proponents of the tax act vowed it would spur investment, expanding businesses and creating jobs. Corporate analysts and executives, however, predict that the new tax law could result in a wave of mergers and acquisitions (M&A), especially in industries such as pharmaceuticals and tech where companies have repatriated foreign cash under the tax act's generous provisions.[143] Indeed, in June 2018, Microsoft announced it would acquire coding-collaboration site GitHub for $7.5 billion – a deal that values GitHub well above the $2 billion valuation given by private investors in a fundraising round three years ago.[144] Meanwhile, Comcast has announced a $65 billion offer to compete with Disney's bid to acquire 21st Century Fox's entertainment businesses, and in June, AT&T won regulatory approval for its $85.4 billion acquisition of Time Warner.[145] So far this year, Kroger purchased stores from its

xiii $22 billion at closing share price on day of announcement. Approximately $19 million at three month average share price as of 6/12/18.

competitor SuperValu[146], agreed to buy a private meal kit company for $200 million and increased its stake in the British online grocer Ocado for $245 million.[147]

In some cases, U.S. corporations are acquiring companies outside the United States, which may improve their position in foreign markets but does little for U.S. workers.

In May 2018, Walmart spent $16 billion to acquire a majority stake in Flipkart, an e-commerce company based in India.145 The acquisition was Walmart's largest deal since its 1999 purchase of the UK grocer ASDA and is widely seen as a move to compete with Amazon in the growing Indian market.[148]

In June, CNBC reported that Amazon was responding to the Walmart threat by upping its investment in India by $2 billion (it already had $5 billion invested in the country.)[149]

These types of mergers and acquisitions do not represent the kind of expansion that was promised by the tax law's supporters. Rather than investing in organic growth via new factories, equipment, and jobs, growing by acquisition consolidates a company's market position, but is a zero sum or worse for workers and communities, as the combined capacities of the merged companies often result in plant closings and layoffs.

OTHER MERGERS OF NOTE

At companies outside the dataset included in this report, M&A activity is also resulting in layoffs.

- The telecom firm CenturyLink received a $1.1 billion benefit from TCJA in 2017. In May 2018, the company announced that as a result of automation and its merger with Colorado-based Level 3 Communications, it will be cutting its workforce by 2 percent, or at least 1,000 jobs. In January 2018, CenturyLink CEO Glenn Post said the company would cancel merit-based increases for employees. But Post himself got an "integration award" related to the Level 3 merger, valued at $3 million.[150]

- In May, toy company Hasbro reached an agreement to buy entertainment properties (like the Power Rangers brand) belonging to Saban Brands for $522 million.[151] Less than a month later, Saban announced it was shutting down, resulting in the layoff of 60 employees by the beginning of July.[152]

- The CVS-Aetna deal was followed by the announcement in April that insurance company Cigna would acquire Express Scripts, a pharmacy benefit manager (PBM), for $52 billion.[153] A month later, Express Scripts said it will lay off 456 workers when it closes its pharmacy site in Columbus, Ohio, later this year. (Express Scripts claims the closure is unrelated to the Cigna deal.)[154]

CASE STUDY: CVS AND AETNA

In early December 2017 (prior to the passage of the new tax law), CVS announced it would acquire Aetna for $69 billion. The deal, which is currently undergoing regulatory approval through the U.S. Department of Justice and state insurance departments.

Critics of the deal, such as the American Antitrust Institute (AAI), have argued that the merger would violate consumer protections and damage competition in the health care industry. In a March letter to the Justice Department, AAI wrote that that the merger of CVS Health, the largest U.S. PBM and pharmacy retailer, with the nation's third largest insurance payer would allow both organizations to exclude competitors from the market.[155]

Ironically, in the midst of a merger with one of the country's largest insurance companies, CVS said it would use some of its tax cut to absorb the cost of increases in health care premiums for employees covered under the company plan. Employee gratitude for the gesture may have been tempered by the news of one executive's payout when the deal closes. In December 2017, the Wall Street Journal reported that if the merger goes through, Aetna's current CEO Mark T. Bertolini is expected to receive $500 million when he exits the company.[156]

Executive Compensation

Key Takeaways:

- While the tax law is not helping employees, corporate CEOs are making millions. In 2017, the average compensation for top executives at 40 of the biggest companies was $17,501,303.

The lavish and growing excess of executive compensation at U.S. corporations over the past 40 years, and its severe effect on economic inequality, has been widely documented.[157] Rather than incentivizing sustainable company growth and long-term investments in research and development, CEO pay policies are structured around short-term performance metrics that can be artificially inflated. While it is yet to be seen how the tax act will impact CEO pay going forward, one of the most egregious aspects of the Republican tax cut is the way it further rewards large corporations that have demonstrated years of lavish executive enrichment over job security and wage growth for workers.

The following chart shows top executive pay for the 40 companies in our study set.[xiv]

xiv In three cases, the highest-paid executive named in the chart below is someone other than the CEO:

- At Comcast, Stephen Burke, president of the company's NBCUniversal Division, made $46.5 million in 2017 to CEO Brian Roberts' $32.5 million
- Larry Page is CEO of Alphabet, the holding company that owns Google. Since Page does not take compensation – other than his 42.4 percent of the company's shares – the highest paid executive at the company is Google CEO Sundar Pichai.
- Facebook's COO Sheryl Sandberg made $24.5 million last year, compared to CEO Mark Zuckerberg's $8.8 million (Like Page, Zuckerberg's wealth comes from his equity ownership of 60 percent of his company).

Sector	Company	Highest Paid Executive	2017 Comp	2017 CEO/Median Worker Pay Ratio
Airline	Alaska Air Group	Bradley D. Tilden	$5,718,166	115.5
Airline	American Airlines	Doug Parker	$12,175,486	195
Airline	Delta Air Lines	Edward H. Bastian	$13,205,703	142
Airline	Southwest Airlines	Gary C. Kelly	$7,560,200	93
Airline	United Airlines	Oscar Munoz	$9,561,134	115
Automotive	Fiat Chrysler	Sergio Marchionne	$12,812,456	N/A
Automotive	Ford	James P. Hackett	$25,030,151	285
Automotive	General Motors	Mary Barra	$21,958,048	295
Bank	Bank of America	Brian T. Moynihan	$21,779,832	250
Bank	Citigroup	Michael Corbat	$17,801,683	369
Bank	Goldman Sachs	Lloyd C. Blankfein	$21,995,266	163
Bank	JPMorgan Chase	James Dimon	$28,313,787	364
Bank	Morgan Stanley	James P. Gorman	$24,509,722	192
Bank	Wells Fargo	Timothy J. Sloan	$17,564,014	291
Communications	AT&T	Randall Stephenson	$28,720,720	366
Communications	Comcast	Stephen Burke	$46,537,350	458
Communications	Verizon	Lowell McAdam	$17,937,581	142
Fast Food	McDonald's	Steve Easterbrook	$21,761,052	3,101
Fast Food	Restaurant Brands	Daniel Schwartz	$4,152,266	202
Fast Food	Starbucks Coffee	Howard Schultz	$17,980,890	N/A
Fast Food	Yum! Brands	Greg Creed	$12,368,607	1,358
Oil & Gas	Chevron	John S. Watson	$24,781,568	180
Oil & Gas	Conoco Phillips	Ryan M. Lance	$21,848,930	138
Oil & Gas	EOG Resources	William R. Thomas	$10,559,647	72
Oil & Gas	Exxon Mobil	Darren W. Woods	$17,466,133	108
Oil & Gas	Occidental Petroleum	Vicki Hollub	$12,675,860	110
Pharma	AbbVie	Richard A. Gonzalez	$22,625,243	144
Pharma	Amgen	Robert A. Bradway	$16,899,789	127
Pharma	Johnson & Johnson	Alex Gorsky	$29,802,564	452
Pharma	Merck	Kenneth C. Frazier	$17,643,087	215
Pharma	Pfizer	Ian Read	$27,913,775	313
Retail	Costco	W. Craig Jelinek	$6,620,969	N/A
Retail	CVS Health	Larry J. Merlo	$12,252,864	320
Retail	Home Depot	Craig A. Menear	$11,641,012	552
Retail	Kroger	Rodney McMullen	$11,534,860	547
Retail	Walmart	Douglas McMillon	$22,791,276	1,188
Tech	Alphabet	Sundar Pichai	$1,333,557	7
Tech	Amazon	Jeffrey P. Bezos	$1,681,840	59
Tech	Apple	Tim Cook	$12,825,066	N/A
Tech	Facebook	Sheryl K. Sandberg	$25,196,221	37
Tech	Microsoft	Satya Nadella	$20,014,152	N/A

All information in this chart is taken from the companies' 2017 Definitive Proxy Statements (Form DEF 14A), or in the case of Fiat Chrysler, its Annual Report of Private Foreign Issuer (Form 20-F) filed with the Securities and Exchange Commission.

Highest 2017 Top Executive Compensation		Highest 2016 Top Executive Compensation	
Comcast	$32.5 million	Comcast	$32.9 million
Johnson & Johnson	$29.8 million	AT&T	$28.4 million
AT&T	$28.7 million	JPMorgan Chase	$27.2 million

Biggest Increase in Top Executive Compensation, 2016-17		Biggest % Increase in Top Executive Compensation, 2016-17	
Pfizer	$10.6 million	Pfizer	61%
McDonald's	$6.4 million	Apple	47%
Bank of America	$5.8 million	McDonald's	42%

CEO to Median Worker Pay Ratio

For the first time, a new Securities and Exchange Commission rule mandated under the 2010 Dodd-Frank financial reform package requires companies to disclose how their CEOs are compensated in comparison with their employees. In public filings beginning in 2018, companies have to disclose their "pay ratios," for fiscal year 2017, or the CEO's compensation divided by the median employee's.[158] These figures provide an important, if imperfect,[xv] look at corporate pay scales.

For the companies in this report's dataset, pay ratio is not given for Starbucks, Costco, Apple, and Microsoft because their fiscal calendar allowed them to avoid the reporting requirement in their most recent proxy statements. The pay ratio is not given for Fiat Chrysler because guidelines for median employee pay are not provided under corporate governance code in the Netherlands, where the company is registered. For Alphabet, the holding company for Google, we have used the salary for Google CEO Sundar Pichai to calculate a pay ratio, since Alphabet's CEO is the only one in our study that does not take any compensation. In all other cases, we have used the CEO *whether or not the CEO is the top paid executive within the company*.

Biggest Ratios, CEO-to-Median Worker Pay			
Company	**Median Worker Pay**	**CEO Pay**	**Ratio**
McDonald's	$7,017	$21,761,052	3,101 to 1
Yum! Brands	$9,111	$12,368,607	1,358 to 1
Walmart	$19,177	$22,791,276	1,188 to 1

xv For an example of a limitation of the data, Verizon's CEO-median employee pay ratio for 2017 was 142:1. High as that is, analysts have noted that the CEO-to-worker ratio reported by Verizon is artificially low; the median salary for Verizon employees is inflated given that the company, disproportionately to its peers, uses outside contractors for its lowest paid positions (despite similar geographic footprints, Verizon has a significantly smaller workforce than its closest competitor: about 155,000 employees to AT&T's roughly 250,000 last year). See https://www.wsj.com/articles/does-verizon-really-pay-the-typical-worker-60-more-than-at-t-1522238400

Pay Figures Can Be Deceptive

As high as the CEO pay figures are on the chart above, they often understate the actual remuneration companies dole out to their top executives in the form of various stocks and options. Summary compensation tables report the value of stock and options awarded to executives in a given year, but do not include the value of the awards that vested that year.

- The CEO pay figure for **Apple** CEO Tim Cook provided in the Summary Compensation Table of the company's most recent filing does not include **$89.1 million of stock** vested in 2017, bringing his actual package to $102 million.[159]

- In 2017, **Fiat Chrysler** CEO Sergio Marchionne also collected stock valued at **$35.8 million** (almost 30 million euros) for the prior three years, which on an annualized basis, would be about $11.9 million, bringing his 2017 pay in line with Ford and GM.[160] In 2015, Marchionne's pay was widely noted in industry press for the **$73.6 million** in compensation gained due to shares vested under a long-term incentive plan.[161]

- In January 2018, **American Airlines** Chair and CEO W. Douglas Parker exercised rights to sell shares worth **$19.2 million** (the awards had been granted in 2008 and were set to expire in April of this year). Parker is also set to receive payouts from restricted stock awards that could bring his total compensation to more than **$31 million** this year. According to Bloomberg, Parker has taken home more than **$147 million** in equity over the past five years.[162]

- **CVS** CEO Larry Merlo realized over **$20 million** in 2017 through cashing in stocks and options in addition to his compensation; as described above, the company is poised to merge with **Aetna**, whose CEO Mark T. Bertolini received nearly **$59 million** in 2017 compensation, much of it in stocks and options he exercised during the year.

OPULENTLY COMPENSATED: PFIZER CEO IAN READ

- In 2017, Chair and CEO Ian Read made almost $28 million in executive compensation, including $21 million in stock and option awards, an increase of 61 percent over the previous year.

- In December 2017, Read received a retention bonus in the form a special, one-time equity award of $8 million; the award – which vests if Pfizer's shareholder return meets a certain performance measure before the end of 2022 – requires Read to continue as CEO through March 2019, and to remain under a non-compete agreement through March 2021.

- In April 2018, Read was revealed as the buyer of a $13 million condo in Sunny Isles Beach in the Jade Signature building in Florida. The two-story, 7,896 square foot condo, with a 180-degree view of the ocean, features five bedrooms, six bathrooms, two half-bathrooms, a double-sized dining room, a gym, and an entertainment lounge.[163]

A RAISE IN THE MIDST OF SCANDAL: WELLS FARGO CEO TIMOTHY SLOAN

- Sloan earned $17.6 million in 2017, a 36 percent raise over the previous year, and 291 times the median annual compensation of all other employees at Wells Fargo. Sloan's compensation was made up of $2.4 million in base pay and almost all the rest in share awards.[164]

- Press reports noted Sloan's raise in the midst of the company's legal and regulatory struggles, with headlines such as: "Wells Fargo's CEO is getting a 36% raise after the bank's nightmare year"[165] and "What scandals? Wells Fargo CEO Tim Sloan gets $4.6M raise."[166]

- Senator Elizabeth Warren criticized Sloan's raise with a tweet that read, "CEO Tim Sloan enabled the bank's massive fake accounts scam, got rich off it, and helped cover it up. He should have been fired – instead, he just got a big, fat raise."[167]

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