



Tech Giants Are Big Winners in Trump's Proposed Tax Plan

Eight Silicon Valley Technology Corporations Hoarding a Half-Trillion Dollars in Profits Abroad Stand to Reap \$95 Billion from Republican Tax Plan

By Rick Claypool, research director, Public Citizen's president's office

Nov. 14, 2017 – The tax holiday proposal supported by President Donald Trump and congressional Republicans would give eight top technology corporations a \$95 billion tax break.

Table: Eight technology corporations hoarding more than \$502 billion in profits abroad could avoid paying \$95 billion in taxes under the administration's proposed tax break.

Company	Number of Tax Haven Subsidiaries	Amount Held Offshore (\$ millions)	Estimated U.S. Tax Bill on Offshore Cash (\$millions at 35%, adjusted*)	Estimated U.S. Tax Bill on Offshore Cash (\$millions at 14%, adjusted*)	Savings Under Trump/Republican Tax Plan (\$millions)
Apple	3	\$252,000	\$78,555	\$31,422	\$47,133
Microsoft	5	\$142,000	\$45,000	\$18,000	\$27,000
Oracle	5	\$47,500	\$15,100	\$6,040	\$9,060
Qualcomm	4	\$32,500	\$11,500	\$4,600	\$6,900
Western Digital	44	\$16,000	\$5,000	\$2,000	\$3,000
Adobe	10	\$4,200	\$1,100	\$440	\$660
Symantec	6	\$3,900	\$1,100	\$440	\$660
NetApp	17	\$4,000	\$1,000	\$400	\$600
TOTALS	94	\$502,400	\$158,355	\$63,342	\$95,013

*Adjusted calculations in these columns represent estimates of the companies' actual tax liabilities, which are calculated by subtracting overseas tax liabilities from the U.S. tax owed at 35%. Source: Public Citizen analysis of data from the Institute on Taxation and Economic Policy.

The eight tech giants, whose offshore tax holdings and estimated tax bills were revealed in recent reports by the Institute on Taxation and Economic Policy,¹ collectively hold more than

¹ Richard Phillips, Matt Gardner, Alexandria Robins and Michelle Surka. "Offshore Shell Games 2017: The Use of Offshore Tax Havens by Fortune 500 Companies," a report by the Institute on Taxation and Economic

\$502 billion offshore, much of which is booked to their 94 tax haven subsidiaries across the globe.

The latest version of the tax bill in the House of Representatives would allow corporations a discounted tax rate on profits held offshore at 14 percent if the corporations bring their profits back to the U.S.² (though the idea that the profits are actually held outside of the U.S. is a misconception.) The Trump-GOP tax plan proposes a 14 percent tax on liquid assets and a 7 percent tax on illiquid assets.³ The standard U.S. tax rate for corporations has been 35 percent, though corporations' effective tax rates tend to be much lower.⁴

The current Senate version of the tax bill would give the corporations an even larger tax break by offering a discounted tax rate on profits held offshore of 10 percent on cash and other liquid assets⁵ and a rate of 12.5 percent on intellectual property (a move expected to be particularly beneficial for the technology and pharmaceutical sectors).⁶

Rather than straightforwardly applying the 14 percent to offshore income, technically what the House Republicans' proposal does is exclude 60 percent of the specified income from taxation upon repatriation and applies the full tax rate to the 40 percent left over. Therefore, the methodology for calculating how much companies would owe under the proposal is to multiply how much they've previously disclosed owing by 40 percent (or, more precisely, 14/35). To calculate how much they would save, how much they would be taxed under the proposal is subtracted from how much they owe now.

Among technology corporations, the greatest share of offshore profits and potential tax savings come from Apple, which holds an estimated \$252.3 billion in profits in 3 offshore tax haven subsidiaries.⁷ This makes Apple the corporation with the greatest amount of profits

Policy and U.S. PIRG Education Fund (Oct. 2017), <https://itep.org/wp-content/uploads/offshoreshellgames2017.pdf>; "Multinational Corporations Would Receive Over Half a Trillion in Tax Breaks from the House Repatriation Proposal," a report by the Institute on Taxation and Economic Policy (Nov. 5 2017), <https://itep.org/multinational-corporations-would-receive-over-half-a-trillion-in-tax-breaks-from-the-house-repatriation-proposal/>

² Kaustuv Basu, "Tax Bill Sets 12% Rate for Companies' Offshore Cash, Lawmaker Says," Bloomberg News (Nov. 1, 2017), <https://www.bloomberg.com/news/articles/2017-11-01/tax-bill-is-said-to-set-12-rate-for-companies-offshore-cash>

³ Lindsey McPherson, "Changes to GOP Tax Bill Restore Adoption Credit, Address Small-Business Concerns," Roll Call (Nov. 9, 2017), <https://www.rollcall.com/news/policy/ways-and-means-changes-adoption-credit-small-business>

⁴ Institute on Taxation and Economic Policy fact sheet, "The 35 Percent Corporate Tax Myth," (March 2017), <https://itep.org/wp-content/uploads/corpstudyfact2017.pdf>

⁵ "Senate Sets Offshore Tax Rate as High as 10%: Tax Debate Update," Bloomberg News (Nov. 9, 2017), <https://www.bloomberg.com/news/articles/2017-11-09/house-panel-set-to-vote-as-senate-enters-fray-tax-debate-update>

⁶ Richard Rubin, "Senate GOP Proposes New Corporate Tax on Foreign Profits," *The Wall Street Journal* (Nov. 9, 2017), <https://www.wsj.com/articles/senate-gop-proposes-new-corporate-tax-on-foreign-profits-1510250420>

⁷ For further details on Apple's offshore holdings, see the Paradise Papers, especially Simon Bowers, "Leaked Documents Expose Secret Tale Of Apple's Offshore Island Hop," The International Consortium of Investigative

booked offshore, and the corporation with the most to gain from a tax holiday that lowers tax liability on offshore profits. The value of the proposed tax holiday for Apple is an estimated \$47.1 billion.

The value of the tax cut for other tech corporations, which are either based in or have major facilities in California's Silicon Valley, ranges from \$27 billion for Microsoft to \$600 million for NetApp, a data storage company. The sum total of these eight corporations' tax cut on offshore profits under the Trump proposal is \$95 billion.

Other tech giants such as IBM, Cisco Systems, and Google also are known to book tens of billions in profits to offshore subsidiaries, but because they do not specify how much they owe in taxes on their offshore earnings, it is difficult to accurately estimate what they would owe under the proposed plan.

President Trump's relationship with the technology sector has been complicated. The industry's political spending tends to favor Democrats,⁸ and a meeting between then president-elect Trump and tech executives in December 2016 was seen at the time as an opportunity to smooth over campaign conflicts.⁹ During the campaign, Trump called for a boycott of Apple products over the company's refusal to release customer data to the FBI.¹⁰

Tech executives representing most of the corporations included in this report met with President Trump in June 2017: Apple's Tim Cook, Microsoft's Satya Nadella, Oracle's Safra Catz, Qualcomm's Steven Mollenkopf and Adobe's Shantanu Narayen.¹¹

After Trump's shameful reluctance to hold neo-Nazis fully responsible for violence in Charlottesville, Va., where a white nationalist marcher allegedly drove a car into a crowd of anti-racist demonstrators, killing one and injuring over a dozen others, several corporate executives issued statements seeking to distance themselves from the president. Among the

Journalists (Nov. 6, 2017), <https://www.icij.org/investigations/paradise-papers/apples-secret-offshore-island-hop-revealed-by-paradise-papers-leak-icij/>

⁸ OpenSecrets.org page for Electronics Manufacturing & Equipment Influence and Lobbying via Center for Responsive Politics (accessed Nov. 13, 2017),

<https://www.opensecrets.org/industries/totals.php?cycle=2018&ind=B12>

⁹ Gina Chereus and Dustin Volz, "Trump meets Silicon Valley elite after mutual mistrust in campaign," *Reuters* (Dec. 14, 2016), <https://www.reuters.com/article/us-usa-trump-technology/trump-meets-silicon-valley-elite-after-mutual-mistrust-in-campaign-idUSKBN1431I8>

¹⁰ Post from @realDonaldTrump on Twitter from 4:38 p.m. on Feb. 19, 2016, <https://twitter.com/realDonaldTrump/status/700796528844103680>

¹¹ Noah Gray and Jill Disis, "Here are the 18 tech CEOs going to the White House today," CNN (June 19, 2017), <http://money.cnn.com/2017/06/19/technology/business/trump-white-house-tech-meeting-ceos/index.html>

executives who issued statements criticizing Trump in Charlottesville's aftermath was Apple's Tim Cook.¹² Cook also has spoken out against Trump's anti-immigration policies.¹³

Nevertheless, Cook's message on taxes seems to line up with the Trump-Republican policy that would grant Apple a \$47 billion windfall: "In my view, it should have been fixed years ago. But let's get it done now."¹⁴

Apple's outspoken CEO's apparent willingness to go along with President Trump and Republicans on a tax policy that will worsen inequality¹⁵ in the U.S. over time, with the richest 1 percent of households receiving nearly a third of the entire value of the tax cut during its first year and nearly half of the tax cut's value ten years later, is instructive.

Executives who support the Trump-Republican tax plan are no champions of social justice. The plan is an affront to taxpayers who pay their fair share. It represents, simply, a windfall to super-profitable industries and a reward to those who have most aggressively pursued tax-avoidance measures.

¹² Charlie Warzel, "Read Apple CEO Tim Cook's Email To Employees About Charlottesville," BuzzFeed News (Aug. 16, 2017), https://www.buzzfeed.com/charliewarzel/read-apple-ceo-tim-cooks-email-to-employees-about?utm_term=.ypvP7V59M#.quozx0Nb4

¹³ Post from @tim_cook on Twitter from 8:38 a.m. on Sept. 3, 2017, https://twitter.com/tim_cook/status/904322640654897152

¹⁴ Anita Balakrishnan, "Apple CEO Tim Cook tells NBC News that the US should reform the tax code now," CNBC (Nov. 1, 2017), <https://www.cnbc.com/2017/11/01/apple-ceo-tim-cook-on-tax-reform.html>

¹⁵ "New Analysis: Wealthy Will Receive a Growing Share of Tax Cuts in House Tax Plan Over Time," Institute on Taxation and Economic Policy (Nov. 6, 2017), <https://itep.org/new-analysis-wealthy-will-receive-a-growing-share-of-tax-cuts-in-house-tax-plan-over-time/>