



## Wall Street Wins in Trump's Proposed Tax Plan

**Citigroup, JPMorgan Chase and Goldman Sachs Top List of Nine Big Banks Hoarding \$172 Billion in Profits Abroad, Stand to Reap \$28 Billion from Republican Tax Plan**

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

Nov. 28, 2017 – The tax bill backed by Trump and Senate Republicans includes a tax holiday proposal that would give nine top finance corporations a \$28 billion tax break.

**Table 1: Under the Senate version of the Trump Tax Bill, nine finance corporations hoarding more than \$172 billion in profits abroad could avoid paying \$28.7 billion in taxes.**

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 10%, adjusted*)	Savings Under Trump/Senate Republican Tax Plan (\$millions)
<b>Citigroup</b>	137	\$47,000	\$13,100	\$3,743	\$9,357
<b>JPMorgan Chase</b>	170	\$38,400	\$8,800	\$2,514	\$6,286
<b>Goldman Sachs</b>	905	\$31,240	\$6,180	\$1,766	\$4,414
<b>Bank of America</b>	91	\$17,800	\$4,900	\$1,400	\$3,500
<b>American Express</b>	31	\$10,400	\$3,200	\$914	\$2,286
<b>Bank of New York Mellon</b>	177	\$6,000	\$1,200	\$343	\$857
<b>Morgan Stanley</b>	619	\$12,006	\$1,111	\$317	\$794
<b>State Street</b>	52	\$5,500	\$1,100	\$314	\$786
<b>Wells Fargo</b>	88	\$2,400	\$653	\$187	\$466
<b>TOTALS</b>	<b>2,270</b>	<b>\$172,611</b>	<b>\$40,244</b>	<b>\$11,498</b>	<b>\$28,746</b>

\*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 nine Big Banks, whose offshore tax holdings and estimated tax bills were revealed in recent reports by the Institute on Taxation and Economic Policy,<sup>1</sup> collectively hold more than \$172 billion offshore, much of which is booked to their 2,270 tax haven subsidiaries across the globe.

The size of the Wall Street tax break is calculated from the Senate version of the tax bill, which would allow corporations a discounted tax rate on profits held offshore at 10 percent if the corporations bring their profits back to the U.S.<sup>2</sup> during a one-time "tax holiday" (though the idea that the profits are actually held outside of the U.S. is a misconception). The version that passed in the House of Representatives proposes a similar discounted tax rate, but at 14 percent.<sup>3</sup> The standard U.S. tax rate for corporations has been 35 percent, though corporations' effective tax rates tend to be much lower.<sup>4</sup>

Rather than straightforwardly applying the 10 percent<sup>5</sup> to offshore income, technically what the tax proposals do is exclude 71.5 percent of the specified income from taxation upon repatriation and applies the full tax rate to the 28.5 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 28.5 percent (or, more precisely, 10/35). To calculate how much they would save, how much they would be taxed under the proposal is subtracted from how much they currently owe.

Among finance corporations, the greatest share of offshore profits and potential tax savings would go to Citigroup, which holds an estimated \$47 billion in profits in 137 offshore tax haven subsidiaries. The value of the Senate bill's proposed tax holiday for Citigroup is an estimated \$9.3 billion.

The value of the Senate bill's tax cut for other finance corporations included in this report ranges from \$6.2 billion for JPMorgan Chase to \$466 million for Wells Fargo. The sum total

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<sup>1</sup> 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 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/>

<sup>2</sup> 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>

<sup>3</sup> 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>

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

<sup>5</sup> Likewise, the 14 percent tax proposal excludes 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).

of these nine corporations' tax cut on offshore profits under the Senate version of the Trump tax proposal is \$28.7 billion.

Other finance corporations such as Berkshire Hathaway, Visa, and Western Union also are known to book 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.

**Table 2: Under the House Version of the Trump Tax Bill, nine finance corporations hoarding more than \$172 billion in profits abroad could avoid paying \$24 billion in taxes.**

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/House Republican Tax Plan (\$millions)
Citigroup	137	\$47,000	\$13,100	\$5,200	\$7,860
JPMorgan Chase	170	\$38,400	\$8,800	\$3,520	\$5,280
Goldman Sachs	905	\$31,240	\$6,180	\$2,472	\$3,708
Bank of America	91	\$17,800	\$4,900	\$1,960	\$2,940
American Express	31	\$10,400	\$3,200	\$1,280	\$1,920
Bank of New York Mellon	177	\$6,000	\$1,200	\$480	\$720
Morgan Stanley	619	\$12,006	\$1,111	\$444	\$667
State Street	52	\$5,500	\$1,100	\$440	\$660
Wells Fargo	88	\$2,400	\$653	\$261	\$392
<b>TOTALS</b>	<b>2,270</b>	<b>\$172,611</b>	<b>\$40,244</b>	<b>\$16,098</b>	<b>\$24,146</b>

\*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.