Center for American Progress Action Fund

McCain's $45 Billion Tax Giveaway Fortune 200 Would Reap Massive Gains

McCain's $45 Billion Tax Giveaways to 200 Largest Companies in America

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The centerpiece of presumptive Republican presidential candidate Sen. John McCain's economic agenda are massive tax breaks for American corporations. The cost to the federal budget will be an estimated $175 billion a year, according to Center for American Progress Action Fund's analysis of the McCain campaign's public materials.

The corporate tax cuts will deliver almost $45 billion to the 200 largest companies in America. When the United States faces so many urgent challenges, at home and abroad, delivering tens of billions of dollars to the most competitive U.S. companies is a particularly egregious misuse of public resources.

Specifically, under the tax plan offered by Sen. McCain (R-AZ):

- The largest 200 corporations (as identified by *Fortune* magazine) in America would get a combined $45 billion-a-year tax break.[1] These companies earned more than $500 billion in profits in 2007.

- Eight companies—Wal-Mart Stores Inc., Exxon Mobil Corp., ConocoPhillips Co., Bank of America Corp., AT&T, Berkshire Hathaway Inc., JPMorgan Chase & Co., and Microsoft Corp.—would each receive over $1 billion a year.

- Sen. McCain opposes earmarks because he believes they would "restrict America's ability to address genuine national priorities."[2] But huge corporate tax breaks would really prevent action on our country's most urgent problems. We could use this $45 billion more wisely by lifting more than 9 million people out of poverty.[3]

McCain's Tax Plan

McCain has proposed $175 billion a year in corporate tax breaks.[4] He would slash the corporate tax rate to 25 percent from 35 percent. Second, he would allow corporations to immediately write off, or "expense" in tax accounting terminology, the cost of corporate investments in equipment and technology.

Corporate tax breaks are extremely regressive. Corporate taxes are ultimately paid by investors, according to the longstanding view of the Treasury Department and the Congressional Budget Office. As a result, approximately 59 percent of these tax cuts would go to the top 1 percent of households. Only 11 percent of the benefit would go to the bottom 80 percent of households.[5]

Finally, these corporate tax breaks are unlikely to help the economy. They drive up the federal budget deficit, resulting in higher interest rates and lower private-sector investment. Taxes paid by U.S. corporations are among the lowest in the world, measured as a share of the economy. And as Michigan University law professor Revuen Avi-Yonah points out, "experience indicates that corporate rate cuts, like the temporary reduction in the tax rate on dividends from foreign subsidiaries from 35 percent to 5.25 percent, have resulted in increased profits for U.S. corporations but no increase in jobs or overall economic growth."[6]

The U.S. corporate tax code is in need of wholesale reform, not just more tax breaks. The nominal U.S. corporate tax rate is among the highest in the world, but actual taxes are among the lowest because of the large number of corporate tax shelters. A balanced reform that reduces the tax rate by removing tax preferences could strengthen the economy without driving up the federal budget deficit or making the U.S. tax code more regressive. But cutting corporate tax rates without taking on special-interest tax breaks—as Sen. McCain wants to do if he becomes president—is an unwise giveaway to corporations.

Tax Cuts for the Fortune 200

The reduction in the corporate tax rate alone would cut taxes for America's 200 largest companies by $45 billion a year. These companies' 2007 profits exceeded $508 billion. The average Fortune 200 companies collected $2.5 billion in profits in 2007 (see Table 1 on page 3).

The McCain tax plan also showers additional tax breaks on highly profitable industries (see Table 2 on page 7). It includes $6.5 billion for Fortune 200 energy companies, $6.3 billion for Fortune 200 banks and financial institutions, and $5.6 billion for Fortune 200 merchandising and retailing companies.

These tax reductions are far larger than the earmarks McCain regularly criticizes. Earmarks total about $18 billion a year, according to Taxpayers for Common Sense.[7] And even the conservative Heritage Foundation believes that there are only about $9 billion a year in earmarks that could be eliminated.[8]

Conclusion

Over the past eight years, U.S. corporate profits have grown along with the U.S. economy while workers' wages have stagnated. But the centerpiece of Sen. McCain's economic policies is a huge break of $175 billion to the nation's largest companies. These misdirected resources instead could be used to meet the needs of struggling families. For example, they could help lift more than 9 million families out of poverty.

TABLE 1: TAX BREAKS FOR THE FORTUNE 200 COMPANIES UNDER MCCAIN'S TAX PLAN

FORTUNE RANK	COMPANY	2007 WORLDWIDE PROFITS	2007 U.S. TAXES	SAVINGS UNDER MCCAIN
1	Wal-Mart Stores	$13 billion	$5 billion	$1.4 billion
2	Exxon Mobil	$41 billion	$4.6 billion	$1.3 billion
3	Chevron	$19 billion	$1.4 billion	$400 million
4	General Motors	-39 billion	$380 million	$110 million
5	ConocoPhillips	$12 billion	$4 billion	$1.1 billion
6	General Electric	$22 billion	$87 million	$25 million
7	Ford Motor	-$2.7 billion	*	*
8	Citigroup	$3.6 billion	*	*
9	Bank of America Corp.	$15 billion	$4.5 billion	$1.3 billion
10	AT&T	$12 billion	$5.5 billion	$1.6 billion
11	Berkshire Hathaway	$13 billion	$6.6 billion	$1.9 billion
12	J.P. Morgan Chase & Co.	$15 billion	$3.9 billion	$1.1 billion
13	American International Group	$6.2 billion	$1.5 billion	$400 million
14	Hewlett-Packard	$7.3 billion	$870 million	$250 million
15	International Business Machines	$10 billion	$1.1 billion	$310 million
16	Valero Energy	$5.2 billion	$1.8 billion	$500 million
17	Verizon Communications	$5.5 billion	$3 billion	$850 million
18	McKesson	$910 million	$370 million	$100 million
19	Cardinal Health	$1.9 billion	$300 million	$85 million
20	Goldman Sachs Group	$12 billion	$3 billion	$870 million
21	Morgan Stanley	$3.2 billion	*	*
22	Home Depot	$4.4 billion	$1.8 billion	$520 million
23	Procter & Gamble	$10 billion	$2.9 billion	$830 million
24	CVS Caremark	$2.7 million	$1.5 million	$400 million
25	UnitedHealth Group	$4.7 billion	$2.5 billion	$710 million
26	Kroger	$1.2 billion	$730 million	$210 million
27	Boeing	$4.1 billion	$1.7 billion	$500 million
28	AmerisourceBergen	$470 million	$260 million	$74 million
29	Costco Wholesale	$1.1 billion	$400 million	$115 million
30	Merrill Lynch	-$7.8 billion	*	*
31	Target	$2.8 billion	$1.5 million	$430 million
32	State Farm Insurance Cos.	$5.5 billion	**	**
33	WellPoint	$3.3 billion	$1.8 billion	$500 million
34	Dell	$2.9 billion	$600 million	$170 million
35	Johnson & Johnson	$11 billion	$2.2 billion	$630 million
36	Marathon Oil	$4 billion	$1.3 billion	$370 million
37	Lehman Brothers Holdings	$4.2 billion	$530 million	$150 million
38	Wachovia Corp.	$6.3 billion	$2.1 billion	$590 million
39	United Technologies	$4.2 billion	$430 million	$120 million
40	Walgreen	$2 billion	$1 billion	$300 million
41	Wells Fargo	$8.1 billion	$3.1 billion	$900 million
42	Dow Chemical	$2.9 billion	$220 million	$60 million
43	MetLife	$4.3 billion	$300 million	$85 million
44	Microsoft	$14 billion	$4.9 billion	$1.4 billion
45	Sears Holdings	$830 million	$330 million	$94 million
46	United Parcel Service	$390 million	*	*
47	Pfizer	$8.1 billion	*	*
48	Lowe's	$2.8 billion	$1.5 billion	$430 million
49	Time Warner	$4.4 billion	$1.7 billion	$500 million
50	Caterpillar	$3.5 billion	$920 million	$260 million

TABLE 1: TAX BREAKS FOR THE FORTUNE 200 COMPANIES UNDER MCCAIN'S TAX PLAN (CONTINUED)

FORTUNE RANK	COMPANY	2007 WORLDWIDE PROFITS	2007 U.S. TAXES	SAVINGS UNDER MCCAIN
51	Medco Health Solutions	$910 million	$480 million	$130 million
52	Archer Daniels Midland	$2.2 billion	$670 million	$190 million
53	Fannie Mae	-$2.1 billion	*	*
54	Freddie Mac	-$3.1 billion	*	*
55	Safeway	$890 million	$370 million	$110 million
56	Sunoco	$890 million	$400 million	$120 million
57	Lockheed Martin	$3.0 billion	$1.3 billion	$370 million
58	Sprint Nextel	-$29 million	$130 million	$37 million
59	PepsiCo	$5.7 billion	$1.4 billion	$410 million
60	Intel	$7 billion	$1.7 billion	$490 million
61	Altria Group	$9.8 billion	$2 billion	$590 million
62	Supervalu	$450 million	$320 million	$92 million
63	Kraft Foods	$2.6 billion	$420 million	$120 million
64	Allstate	$4.6 billion	$2 billion	$580 million
65	Motorola	-$49 million	*	*
66	Best Buy	$1.4 billion	$660 million	$190 million
67	Walt Disney	$4.7 billion	$2.3 billion	$640 million
68	FedEx	$2 billion	$920 million	$260 million
69	Ingram Micro	$280 million	$50 million	$14 million
70	Sysco	$1 billion	$540 million	$150 million
71	Cisco Systems	$7.3 billion	$1.4 billion	$410 million
72	Johnson Controls	$1.3 billion	$30 million	$9 million
73	Honeywell International	$2.4 billion	$470 million	$140 million
74	Prudential Financial	$3.7 billion	$520 million	$150 million
75	American Express	$4 billion	$35 million	$10 million
76	Northrop Grumman	$1.8 billion	$670 million	$190 million
77	Hess	$1.8 billion	$60 million	$18 million
78	GMAC	-$2.3 billion	$380 million	$110 million
79	Comcast	$2.6 billion	$1.4 billion	$400 million
80	Alcoa	$2.6 billion	$700 million	$200 million
81	DuPont	$3 billion	$420 million	$120 million
82	New York Life Insurance	$1.1 billion	$110 million	$33 million
83	Coca-Cola	$6 billion	$760 million	$220 million
84	News Corp.	$3.4 billion	$280 million	$80 million
85	Aetna	$1.8 billion	$900 million	$260 million
86	TIAA-CREF	$1.4 billion	**	**
87	General Dynamics	$2 billion	$850 million	$240 million
88	Tyson Foods	$270 million	$130 million	$40 million
89	HCA	$870 million	$180 million	$50 million
90	Enterprise GP Holdings	$110 million	$8 million	$2 million
91	Macy's	$890 million	$360 million	$100 million
92	Delphi	-$3 billion	*	*
93	Travelers Cos.	$4.6 billion	$1.5 billion	$430 million
94	Liberty Mutual Insurance Group	$1.5 billion	$550 million	$160 million
95	Hartford Financial Services	$2.9 billion	$910 million	$260 million
96	Abbott Laboratories	$3.6 billion	$540 million	$160 million
97	Washington Mutual	-$67 million	$300 million	$85 million
98	Humana	$830 million	$220 million	$60 million
99	Massachusetts Mutual Life Insurance	$720 million	$180 million	$50 million
100	3M	$4 billion	$900 million	$260 million

TABLE 1: TAX BREAKS FOR THE FORTUNE 200 COMPANIES UNDER MCCAIN'S TAX PLAN (CONTINUED)

FORTUNE RANK	COMPANY	2007 WORLDWIDE PROFITS	2007 U.S. TAXES	SAVINGS UNDER MCCAIN
101	Merck	$3.2 billion	*	*
102	Deere	$1.8 billion	$480 million	$140 million
103	Apple	$3.5 billion	$1.3 billion	$370 million
104	Countrywide Financial	-$700 million	*	*
105	Tech Data	$110 million	$44 million	$13 million
106	McDonald's	$2.4 billion	$470 million	$130 million
107	Publix Super Markets	$1.2 billion	$620 million	$180 million
108	Nationwide	$2 billion	$190 million	$50 million
109	AMR	$500 million	$170 million	$50 million
110	Northwestern Mutual	$1 billion	$21 million	$6 million
111	Emerson Electric	$2 billion	$420 million	$120 million
112	Raytheon	$2.6 billion	$500 million	$140 million
113	Wyeth	$4.6 billion	$940 million	$270 million
114	International Paper	$1.2 billion	$230 million	$70 million
115	Electronic Data Systems	$720 million	$180 million	$50 million
116	Tesoro	$570 million	$280 million	$80 million
117	Constellation Energy	$820 million	$350 million	$100 million
118	Coca-Cola Enterprises	$710 million	$110 million	$30 million
119	Goodyear Tire & Rubber	$600 million	$3 million	$1 million
120	Manpower	$480 million	$50 million	$13 million
121	Plains All American Pipeline	$360 million	***	***
122	U.S. Bancorp	$4 billion	$1.6 billion	$470 million
123	Occidental Petroleum	$5.4 billion	$1.4 billion	$410 million
124	UAL	$400 million	$30 million	$90 million
125	Bristol-Myers Squibb	$2 billion	$110 million	$30 million
126	J.C. Penney	$1.1 billion	$530 million	$150 million
127	Whirlpool	$640 million	$0	$0
128	Staples	$1 billion	$400 million	$115 million
129	Delta Air Lines	$1.6 billion	*	*
130	Capital One Financial	$1.6 billion	1.1 billion	$330 million
131	Exelon	$2.7 billion	$2.7 billion	$780 million
132	TJX	$770 million	$310 million	$90 million
133	Eli Lilly	$3 billion	$540 million	$160 million
134	Murphy Oil	$770 million	$140 million	$40 million
135	Express Scripts	$570 million	$1.3 billion	$360 million
136	Kimberly-Clark	$1.8 billion	$220 million	$60 million
137	Oracle	$4 billion	$920 million	$260 million
138	AutoNation	$280 million	$150 million	$45 million
139	Loews	$2.5 billion	$1.3 billion	$370 million
140	Freeport-McMoRan Copper & Gold	$3 billion	$160 million	$50 million
141	Cigna	$1 billion	$460 million	$130 million
142	Rite Aid	$27 million	$730 million	$210 million
143	DirecTV Group	$1.4 billion	***	***
144	Xerox	$1 million	$120 million	$40 million
145	CHS	$750 million	$30 million	$8 million
146	United States Steel	$880 million	$130 million	$40 million
147	Weyerhaeuser	$790 million	$36 million	$10 million
148	Fluor	$530 million	$400 thousand	$110 thousand
149	Anheuser-Busch	$2.1 billion	$800 million	$230 million
150	Google	$4.2 billion	$520 million	$150 million

TABLE 1: TAX BREAKS FOR THE FORTUNE 200 COMPANIES UNDER MCCAIN'S TAX PLAN (CONTINUED)

FORTUNE RANK	COMPANY	2007 WORLDWIDE PROFITS	2007 U.S. TAXES	SAVINGS UNDER MCCAIN
151	Nucor	$1.5 billion	$700 million	$200 million
152	Kohl's	$1 billion	$590 million	$170 million
153	Nike	$1.5 billion	$390 million	$110 million
154	Union Pacific	$1.9 billion	$1.2 billion	$340 million
155	Illinois Tool Works	$1.9 billion	$490 million	$140 million
156	Bear Stearns	$230 million	**	**
157	Lear	$240 million	$21 million	$6 million
158	Arrow Electronics	$410 million	$95 million	$30 million
159	Anadarko Petroleum	$3.8 billion	*	*
160	Burlington Northern Santa Fe	$1.8 billion	$990 million	$280 million
161	Dominion Resources	$2.5 billion	$1.6 billion	$460 million
162	Gap	$830 million	$370 million	$110 million
163	Avnet	$390 million	$85 million	$25 million
164	Office Depot	$400 million	$120 million	$35 million
165	AFLAC	$1.6 billion	$190 million	$55 million
166	Southern	$1.7 billion	$730 million	$210 million
167	Halliburton	$3.5 billion	*	*
168	FPL Group	$1.3 billion	$310 million	$90 million
169	Paccar	$1.2 billion	$160 million	$50 million
170	Computer Sciences	$390 million	$180 million	$52 million
171	Amazon.com	$480 million	$180 million	$50 million
172	Bank of New York Mellon Corp.	$2 billion	$700 million	$200 million
173	Amgen	$3.1 billion	$600 million	$170 million
174	TRW Automotive Holdings	$90 million	*	*
175	Progressive	$1.2 billion	$500 million	$140 million
176	United Services Automobile Assn.	$1.9 billion	**	**
177	Centex	$270 million	*	*
178	Continental Airlines	$460 million	$200 million	$57 million
179	Health Net	$190 million	$150 million	$43 million
180	Chubb	$2.8 billion	$960 million	$280 million
181	CBS	$1.2 billion	$690 million	$200 million
182	L-3 Communications	$760 million	$320 million	$90 million
183	AES	-$95 million	$7 million	$2 million
184	Sun Microsystems	$473 million	*	*
185	Texas Instruments	$2.7 billion	$770 million	$220 million
186	Colgate-Palmolive	$1.7 billion	$270 million	$78 million
187	Qwest Communications	$2.9 billion	$140 million	$41 million
188	World Fuel Services	$65 million	$4 million	$1 million
189	Toys 'R' Us	$65 million	$32 million	$9 million
190	Pepsi Bottling	$530 million	$130 million	$36 million
191	Viacom	$1.8 billion	$660 million	$190 million
192	Oneok	$300 million	$160 million	$45 million
193	SunTrust Banks	$1.6 billion	$590 million	$170 million
194	Penske Automotive Group	$130 million	$30 million	$9 million
195	Consolidated Edison	$230 million	$360 million	$100 million
196	American Electric Power	$1 billion	$500 million	$140 million
197	Marriott International	$700 million	$310 million	$90 million
198	Public Service Enterprise Group	$1.3 billion	$840 million	$240 million
199	Waste Management	$1.2 billion	$500 million	$140 million
200	PG&E Corp.	$1 billion	$445 million	$130 million
	TOTAL	**$508 billion**		**$44.5 billion**

* 2007 Income Taxes Negative. ** 10-K Unavailable. *** Not Subject to U.S. Income Taxes.

Sources: Center for American Progress Action Fund analysis based upon financial data compiled from corporate filings with the Securities and Exchange Commission and from Fortune magazine, May 5, 2008.

TABLE 2: TAX BREAKS BY CORPORATE SECTOR UNDER MCCAIN'S TAX PLAN	
FORTUNE 200 COMPANIES BY SECTOR	MCCAIN TAX CUT
Energy, Oil & Utilities	$6.5 billion
Banks & Finance	$6.3 billion
Merchandising/Retail	$5.6 billion
Insurance	$5.0 billion
Media & Telecom	$4.5 billion
Computing & IT	$4.3 billion
Health Care	$4.0 billion
Heavy Industry	$3.1 billion
Consumer Goods	$2.0 billion
Food & Agriculture	$1.7 billion
Misc. Services	$1.0 billion
Transport Services	$1.0 billion

Sources: Center for American Progress Action Fund analysis based upon financial data compiled from corporate filings with the Securities and Exchange Commission and from Fortune magazine, May 5, 2008.

Methodology

The estimates of corporate savings were calculated based upon information presented in the companies' most recent 10-K filings with the Securities and Exchange Commission, which include audited financial statements.[9] The figures reported on tax returns—which are not made public—may differ because corporations employ different methodologies for calculating income for accounting and tax purposes. The estimates are based on the financial statements' reported current and deferred taxes paid in 2007 to the federal government for income earned from U.S. operations.

The figures present each corporation's estimated savings from reducing the corporate tax from 35 percent to 25 percent. They do not include savings from Sen. McCain's expensing proposal because there is no reliable way to estimate how those savings will be distributed across companies. They also exclude U.S. taxes on income earned from foreign operations. Finally, the figures do not include any offsetting tax increases resulting from the McCain's promise to eliminate corporate tax subsidies because the campaign has not presented specific proposals.

Several companies reported that 2007 taxes were negative (known as a "tax asset"). Companies with a "net operating loss" can use those losses to offset profits earned in the prior two years and receive a refund of taxes paid in those years. Net operating losses can be caused by business factors or by tax subsidies such as accelerated depreciation. Presumably the McCain proposal would not alter corporations' ability to use net operating losses to offset prior years' tax bills, and therefore these companies' potential savings under the McCain plan are assumed to be zero.

The estimates are based on 2007 figures. The actual effect of the McCain proposals will depend on corporations' future performance. Figures may not add up due to rounding.

Endnotes

1 As identified by Fortune Magazine. Fortune, "Fortune 1000," May 5, 2008. Available at http://money.cnn.com/magazines/fortune/fortune500/2008/full_list/

2 John McCain, "McCain Tax Cut Plan." Available at http://www.johnmccain.com/Informing/Issues/0b8e4db8-5b0c-459f-97ea-d7b542a78235.htm

3 The Center for American Progress Task Force on Poverty, "From Poverty to Prosperity: A National Strategy to Cut Poverty in Half," April 2007, available at http://www.americanprogress.org/issues/2007/04/poverty_report.html.

4 Based on information publicly available from the McCain campaign web site and news accounts. The Tax Policy Center has recently released an analysis of McCain's plan, apparently based on new information from the McCain campaign that clarifies and in at least one instance contradicts the campaign's public policy documents. Our analysis continues to rely on the public materials, which we regard as authoritative.

5 Gordon, Robert and Kvaal, James. "Five Easy Pieces And Two Trillion Dollars: The Bush-McCain-Norquist Tax Agenda," Center for American Progress Action Fund, March 2008. Available at http://www.americanprogressaction.org/issues/2008/pdf/tax_agenda.pdf.

6 Reuven Avi-Yonah, "John McCain's Corporate Tax Agenda: A Critical Examination" (Washington: Center for American Progress Action Fund, 2008), available at http://thinkprogress.org/wonkroom/wp-content/uploads/2008/04/corporate_tax.pdf.

7 Taxpayers for Common Sense, "Taxpayers for Common Sense Releases New Earmark Database," February 14, 2008. Available at http://www.taxpayer.net/search_by_category.php?action=view&proj_id=996&category=Headlines%20By%20TCS&type=Project

8 Michael Dobbs, "McCain's Fantasy War on Earmarks," *Washington Post*, May 23, 2008. Available at http://blog.washingtonpost.com/fact-checker/2008/05/mccains_fantasy_war_on_earmark.html.

9 Financial data compiled from "Form 10-K: Notes to Consolidated Financial Statement," SEC filing of each company. Please see individual company websites for further details on filings.