



THE WALMART TAX SUBSIDY

Walmart's Wage Hike to \$10/Hour Still
Requires Large Taxpayer Subsidies

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AMERICANS FOR
TaxFairness

KEY FINDING:

**Workers need a \$15
an hour livable wage,
so taxpayers don't
have to pick up
Walmart's tab.**

Americans for Tax Fairness is a diverse coalition of 425 national and state endorsing organizations that collectively represent tens of millions of members. The organization was formed on the belief that the country needs comprehensive, progressive tax reform that results in greater revenue to meet our growing needs. ATF is playing a central role in Washington and in the states on federal tax-reform issues.

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THE WALMART TAX SUBSIDY:

Walmart's Wage Hike to \$10/Hour Still Requires Large Taxpayer Subsidies

In 2014, Americans for Tax Fairness released a report entitled [*Walmart on Tax Day: How Taxpayers Subsidize America's Biggest Employer and Richest Family*](#).¹

Among the findings is that Walmart receives an estimated \$6.2 billion annually in mostly federal taxpayer subsidies. The reason: Walmart pays its employees so little that many of them rely on food stamps, Medicaid and six other taxpayer-funded programs.

In February 2015, after several years of public pressure, Walmart announced a plan for wage increases at the company. Under the announced changes, no worker will earn less than \$9/hour beginning in April 2015; by 2016 all workers who have passed a six-month training period will be paid at least \$10/hour.

These modest wage hikes beg the question: Will the wage increases mean a reduction in taxpayer subsidies for Walmart's massive low-wage workforce? Precise measurements are impossible given Walmart's unwillingness to disclose comprehensive wage information. However, after an analysis of available information from Walmart and a review of the income eligibility limits of eight public programs, we have concluded that:

- Even after Walmart's planned wage increases are fully implemented, large taxpayer subsidies will still be required to compensate for Walmart's low wages.
- Many Walmart workers being paid **\$9/hour** would qualify for public assistance. At \$9/hour and 34 hours a week (Walmart's definition of "full-time" work), an employee would take home just \$15,912/year. This single worker would qualify for three out of five public programs for which they would be eligible. A worker with one or more children would qualify for all eight of the programs studied.
- Many Walmart workers being paid **\$10/hour** would also qualify for public programs. A worker paid \$10/hour and working "full-time" at 34 hours a week would take home just \$17,680. With two or more members in their household, this worker would qualify for all eight programs.
- Increasing Walmart employees' wages to **\$15/hour** at full-time work of 40 hours a week, or \$31,200 a year, would lift many of its workers *above* the income level at which they would be eligible for these programs. Households with up to two people would *not* be eligible for 7 out of 8 programs.

- The four primary Walton heirs saw their fortune increase by \$20.9 billion between March 2014 and March 2015. For about half this money – \$10.8 billion – the Waltons could give every one of Walmart’s 1.3 million U.S. employees a \$5/hour raise and still pocket \$10 billion.
- Tens of thousands of Walmart employees will likely continue to be paid \$9/hour, since they will have worked for the company for less than 6 months. It appears that [nearly half of Walmart’s employees turn over each year](#).³

DETAILS ABOUT WALMART’S WAGE INCREASES

Walmart has not released comprehensive information about employee wages, so it is challenging to understand the effect of the announced wage increases on taxpayer subsidies. According to Walmart’s [recent announcement and previous disclosures](#):²

- In April 2015, all workers who are paid less than \$9/hour will have their wages raised to that amount.

In February 2016, workers who have completed a six-month training program will be increased to at least \$10/hour.

EFFECT OF WALMART’S WAGE INCREASE ON PUBLIC ASSISTANCE ELIGIBILITY

The Americans for Tax Fairness report, *Walmart on Tax Day*, was based on a study from the Democratic Staff of the House Education and the Workforce Committee entitled [The Low Wage Drag on Our Economy: Walmart’s low wages, and their effect on taxpayers and economic growth](#). The report looked at eight different public programs that Walmart’s supercenter employees depend on in order to create an estimate of taxpayer subsidies to Walmart. Those programs are listed in Table 1 (see previous page) in descending order of estimated cost attributable per Walmart supercenter.

SELECT PUBLIC PROGRAMS THAT SUBSIDIZE WALMART’S LOW PAY

TABLE 1

PROGRAM NAME	ESTIMATED COST TO TAXPAYERS PER WALMART SUPERCENTER	SHARE OF TOTAL ESTIMATED COST TO TAXPAYERS PER SUPERCENTER
Wisconsin Shares Child Care Subsidy Program	\$459,270	34.7%
Section 8 Housing Program	\$255,378	19.3%
Medicaid Enrollment Under BadgerCare+ Program	\$251,706	19%
SNAP (Food Stamps)	\$157,768	11.9%
Earned Income Tax Credit	\$118,580	9%
National School Lunch Program	\$41,845	3.2%
School Breakfast Program	\$21,263	1.6%
Low-Income Home Energy Assistance Program	\$18,757	1.4%

Source: [The Low Wage Drag on Our Economy: Walmart’s low wages, and their effect on taxpayers and economic growth](#). The estimated cost to taxpayers is the mid-point range. ⁴

To consider the effect of Walmart’s announcement to pay higher wages, this report looks at the national income limits required to be eligible for each of these programs. Income limits for some programs vary by state (or smaller geographic unit) and by household size. The income eligibility limits for each of the programs, up to a household size of four, are in Table 2.

Given Walmart’s wage announcement, we estimate that:

- **At a \$9/hour wage, or \$15,912/year:** Tens of thousands of Walmart Associates will continue to be paid \$9/hour, after full implementation of the wage increases. At [Walmart’s “full-time” of 34 hours/week](#),⁵ these workers would take home just \$15,912/year – an income so low the worker would qualify for three out of five assistance programs in a household size of one. (The Child Care subsidy, and the School Lunch and Breakfast programs are omitted for a household size of one - see Table 2). At any larger household size, without an additional wage earner, a Walmart Associate would qualify for all eight programs. Employees working part-time would take home even less. Walmart recently disclosed that [half of all Associates work part-time](#).¹⁴
- **At a \$10/hour wage, or \$17,680/year:** Many workers being paid Walmart’s scheduled 2016 minimum of \$10/hour, and working at Walmart’s “full-time” of 34 hours a week, would

also qualify for public programs. Their pay would be just \$17,680, qualifying them for all eight programs with a household of two or more and no additional income. Similarly, a worker paid \$10/hour and working less than full-time would most likely qualify for all eight programs, regardless of household size.

WHAT WOULD \$15/HOUR AND REAL FULL-TIME HOURS MEAN FOR WORKERS AND TAXPAYERS?

In the last year, the country has been swept by a nationwide movement of workers and supporters who are calling on employers, including Walmart, to pay \$15/hour and provide full-time hours. A worker paid \$15/hour and working 40 hours/week would take home \$31,200 in a year. At a household size of up to two, this worker would earn enough to not qualify for 7 out of the 8 programs. (See Table 3.)

WALTON HEIRS’ WEALTH VS. WALMART WORKERS’ WAGES

The Walton family owns more than half of all shares in Walmart, which are valued at \$136 billion.¹⁵ The four primary Walton heirs saw their fortune increase by \$20.9 billion between March 2014 and March 2015.¹⁶ For about one-half of this amount - \$10.8 billion - the Waltons could give every one of Walmart’s 1.3 million U.S. employees a \$5 an hour raise and still have more than \$10 billion left over.¹⁷ (See Figure 1.)

INCOME ELIGIBILITY LIMITS TO QUALIFY FOR PUBLIC PROGRAMS

TABLE 2

Household Size	Child Care Subsidy ⁶	Section 8 Housing ⁷	Medicaid ⁸	SNAP/ Food Stamps ⁹	EITC ¹⁰	School Lunch ¹¹	School Breakfast ¹²	Home Energy Assist. ¹³
1	N/A	\$23,050	\$16,243	\$15,180	\$14,820	N/A	N/A	\$17,505
2	\$28,497	\$26,300	\$21,983	\$20,460	\$39,131	\$29,101	\$29,101	\$23,595
3	\$34,983	\$29,600	\$27,724	\$25,728	\$44,454	\$36,612	\$36,612	\$29,685
4	\$41,776	\$32,900	\$33,465	\$31,008	\$47,747	\$44,123	\$44,123	\$35,775

WILL WALMART'S WAGE INCREASE END TAXPAYER SUBSIDIES TO WALMART?
(For a One-Worker, Two-Person Household)

TABLE 3

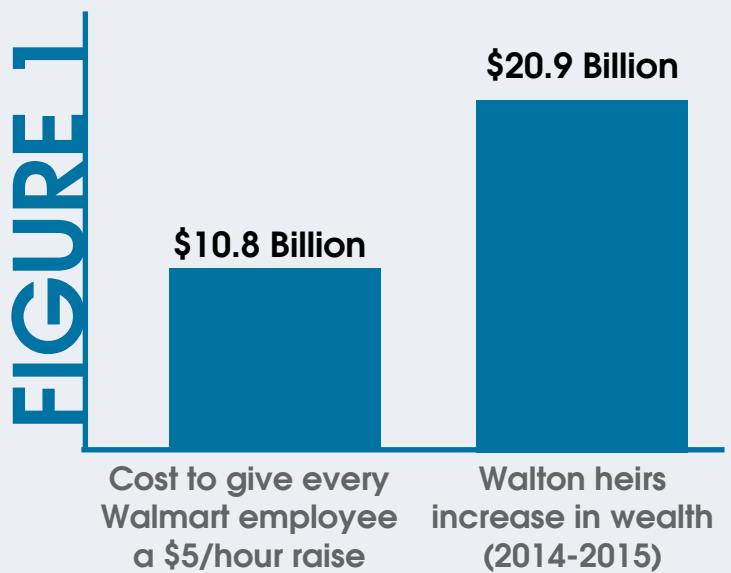
PROGRAM	\$10/HR for 34 HOURS/ WEEK (\$17,680 a year)	\$15/HR for 40 HOURS/ WEEK (\$31,200 a year)
Child Care	NO	✓ YES
Section 8 Housing	NO	✓ YES
Medicaid	NO	✓ YES
SNAP (Food Stamps)	NO	✓ YES
Earned Income Tax Credit	NO	NO
National School Lunch Program	NO	✓ YES
School Breakfast Program	NO	✓ YES
Home Energy Assist.	NO	✓ YES

CONCLUSION

Last year, in *Walmart on Tax Day*, ATF wrote: “On tax day, when millions of American taxpayers and small businesses pay their fair share to support critical public services and the economy, they will also get stuck with a multi-billion dollar tax bill to cover the massive subsidies and tax breaks that benefit the country’s largest employer and richest family.”¹⁸

Unfortunately, despite Walmart’s recent wage increase announcements, this statement will remain largely true. The size of the wage increases, combined with the lack of a real commitment for 40 hours of full-time work for those who want them, means taxpayers will continue to subsidize Walmart’s low-wages with billions of dollars a year. Walmart needs to provide a livable wage of at least \$15 an hour in order to stop shifting the costs of its low wages to other taxpayers.

ONE-YEAR INCREASE IN WALMART FAMILY WEALTH IS TWICE THE COST OF A \$5/HOUR WAGE INCREASE



Sources: See endnotes 16 & 17 for details.

END NOTES

- 1 Americans for Tax Fairness (ATF), *Walmart on Tax Day: How Taxpayers Subsidize America's Biggest Employer and Richest Family* (April 2014). <http://www.americansfortaxfairness.org/files/Walmart-on-Tax-Day-Americans-for-Tax-Fairness-1.pdf>
- 2 Walmart Stores, Fact Sheet, "Walmart to Increase Wages for Current U.S. Workers to \$10 An Hour or Higher, Launches New Skills-Based Training For Associates" (February 19, 2015). <http://cdn.corporate.walmart.com/a1/0e/6fec066e4cf48b9ec4b9f09bcd67/associate-opportunity-fact-sheet.2.pdf>
- 3 Walmart announced that employees who have been at the company less than 6 months will be paid \$9/hour. The company has disclosed that it hires approximately 500,000 people a year. Walmart, *2013 Global Responsibility Report*, p. 89. http://corporate.walmart.com/microsites/global-responsibility-report-2013/pdf/Walmart_GRR.pdf PBS reported in 2001 that 70% of Walmart employees leave within the first year. PBS, "STORE WARS: When Wal-mart Comes to Town" (2001). <http://www.pbs.org/itvs/storewars/stores3.html>
- 4 Democratic Staff of the U.S. House Committee on Education and the Workforce, *The Low-Wage Drag on Our Economy: Walmart's low wages and their effect on taxpayers and economic growth* (May 2013), p.11. The report created a low-estimate and a high-estimate. The totals in this column are the mid-point between those two numbers. <http://democrats.edworkforce.house.gov/sites/democrats.edworkforce.house.gov/files/documents/WalMartReport-May2013.pdf>
- 5 Walmart Stores, "Supplemental Benefits Documentation Board of Directors Retreat FY06 Wal-Mart Stores, Inc.," published by *The New York Times* (October 26, 2005), p. 5. <http://www.nytimes.com/packages/pdf/business/26walmart.pdf>
- 6 These income eligibility limits are the average of the state-by-state amounts published in The Urban Institute's *The CCDF Policies Database Book of Tables: Key Cross-State Variations in CCDF Policies as of October 1, 2013* by Sarah Minton, Christin Durham, and Linda Giannarelli, The Urban Institute (October, 2014), pp. 97-98. <http://www.urban.org/UploadedPDF/2000021-The-CCDF-Policies-Database-Book-of-Tables.pdf>
- 7 Income eligibility limits to qualify for Section 8 housing assistance vary widely by state and locality. The amounts used here are the average of the statewide averages of the ten states in which Walmart has the largest number of employees: TX, FL, CA, GA, OH, NC, IL, PA, TN, and VA. Source for Walmart employee numbers: <http://corporate.walmart.com/our-story/locations/united-states> There are three levels of income eligibility for Section 8 assistance, ranging from low to high: 30% of Median Income, "Very Low Income" and "Low-Income." The amounts used in this table are for the middle choice, "Very Low Income." Source for Section 8 Costs: http://www.huduser.org/portal/datasets/il/il14/State_Incomelimits_Report.pdf
- 8 Based on data from the Kaiser Family Foundation, the median income eligibility limit for receiving Medicaid for parents in a family of three or for childless adults is 138% of the federal poverty line. This is the limit in 28 states that have adopted Medicaid expansion and in Washington, D.C., which has a 215% income limit (January 2015), Table 1. <https://kaiserfamilyfoundation.files.wordpress.com/2015/02/7993-06-table-1-1a1.pdf> The amounts in Table 2 are calculated by taking the 2015 federal poverty level and multiplying by 1.38. <http://aspe.hhs.gov/poverty/15poverty.cfm> Kaiser reports that the median income eligibility level for the 22 remaining states is 46% of the federal poverty level, which would amount to much lower eligible income limits for each household size.
- 9 The USDA Food and Nutrition Service publishes national income eligibility limits for SNAP/food stamps at <http://www.fns.usda.gov/snap/eligibility>. Amounts in Table 2 use the "gross monthly income" limits multiplied by 12 to reach an annual limit. It was assumed that all income from Walmart Associates is earned and assets are below the limits.
- 10 EITC income eligibility limits are taken from the IRS's 2015 National EITC Income Limits. <http://www.irs.gov/Individuals/Preview--EITC-Income-Limits> The limits vary based on the number of qualifying children. Here, the assumption is that households are made up of one adult and any additional members are qualifying children under the EITC guidelines.
- 11 These amounts are the national income eligibility limit for the reduced price school lunch program, published for the USDA Food and Nutrition Program. <http://www.fns.usda.gov/sites/default/files/2014-04788.pdf>
- 12 The income eligibility limit for the school breakfast program is the same as for school lunches.
- 13 These are national income eligibility limits for the Low Income Home Energy Assistance Program (LIHEAP). <http://www.benefits.gov/benefits/benefit-details/623>

14 Walmart Stores, "Walmart's Fiscal Year 2015 Q4 Earnings Results Media Call Transcript" (February 19, 2015), p. 10. <http://cdn.corporate.walmart.com/b5/c2/51e31e624ebcbe63bff7a4ff9/walmarts-fiscal-year-2015-q4-earnings-results-media-call-transcript.pdf>

15 Walmart disclosed that the Walton family owns a total of 1,640,750,594 shares, or 50.9% of all shares. Walmart-Stores, Inc., SEC Schedule 13G (February, 2015), p. 11. (including footnotes) and p. 14. <http://www.sec.gov/Archives/edgar/data/104169/000119312515037537/d864179dsc13ga.htm> On March 9, 2015, the closing price of Walmart shares was \$82.88, according to Walmart's Investor Relations page. <http://stock.walmart.com/stock-information/historical-price-lookup>. The total value of these shares as of that date was \$135,985,409,231.

16 From 2014 to 2015, according to the Forbes Billionaires list the wealth of the four wealthiest Walmart heirs (Rob Walton, Christy Walton, Jim Walton and Alice Walton) increased from \$139.9 billion to \$160.8 billion, an increase of \$20.9 billion. *Forbes* 2015 Billionaires list source: <http://www.forbes.com/billionaires/> *Forbes* 2014 Billionaires list source: <http://www.forbes.com/sites/abrambrown/2014/03/03/forbes-billionaires-full-list-of-the-worlds-500-richest-people/2/>

17 The cost of the \$5/hour hourly wage is based on \$5 x 32 hours/week x Walmart's 1.3 million Associates. The 32 hours/week estimate is based on Walmart's recent disclosure that half of its Associates work part-time. Walmart's definition of full-time is 34/hours per week. Since more than 600,000 employees work fewer than 34 hours/week, this report considers 32 hours/week a conservative estimate.

18 ATF, *Walmart on Tax Day*, p.3.