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CISCO'S WEALTHY SHAREHOLDERS, NOT WORKERS, BENEFIT FROM TRUMP TAX GIVEAWAY

Company to Bring Home $67B in Offshore Profits Under Discounted Rate and Get a $10 Billion Tax Break

WASHINGTON, D.C.—Cisco Systems has just announced it will return to the U.S. $67 billion in offshore profits held in cash this quarter and spend much of the money on stock buybacks and increased dividends, and apparently spend much of the rest buying other companies. Cisco just increased its stock buyback program by $25 billion, the largest of many similar recent corporate buyback announcements. These actions are a result of the recently enacted Tax Cuts and Jobs Act.

The following is a statement by Frank Clemente, executive director, Americans for Tax Fairness:

"As predicted by many of us who opposed the massive Trump tax giveaway, Cisco is showing that the top priority of multinational corporations for their unprecedented tax cut is to shower shareholders with stock buybacks and higher dividends rather than distribute most of the benefits to workers who generate those profits.

"This tax scam is hurting Americans another way, as shown by Cisco. ATF estimates that the Trump tax giveaway will save Cisco nearly $10 billion from what it should have paid in taxes on its $67 billion in offshore profits that it plans to bring home. [See below for calculation.]

"Cisco's huge, unwarranted tax savings on its offshore cash, its failure to share any of it with its workers, and its big payoff to wealthy shareholders all show what's wrong with the Trump-GOP tax scam that's now law. Instead of allowing multinational corporations to bring home their foreign profits at a steep discount, Congress should have demanded that they pay what they really owed on their offshore profits. Then we'd have enough money for a real infrastructure program, among many other priorities of the American people. Once again, wealthy CEOs and shareholders trump working people under this tax giveaway."

Explanation of Cisco taxes owed on offshore profits: Under the old rules, American corporations owed the full 35% U.S. tax rate on offshore profits once they were brought home, less a dollar-for-dollar credit for foreign taxes paid. Cisco reported paying a 7.2% foreign tax rate over the eight-year period 2008-15, according to the Institute on Taxation and Economic Policy. That would mean it owed a U.S. tax rate of 27.8% (35% minus 7.2%) on its offshore profits. Assuming this rate also applies to its untaxed offshore profits, we estimate Cisco would have owed $18.6 billion on the $67 billion it plans to repatriate. Under the new tax law, Cisco reports it will pay only $9 billion on these profits.