FOR IMMEDIATE RELEASE:
March 7, 2022

CORPORATE TAX DODGERS TRY TO SNEAK $125 BILLION R&D TAX BREAK INTO MUST-PASS OMNIBUS BUDGET DEAL

WASHINGTON, D.C. —At least half a dozen big corporations lobbying Congress to slip a tax cut into an upcoming must-pass omnibus budget bill have paid little or no federal income taxes over the past three years, an analysis released today by Americans for Tax Fairness (ATF) reveals.

Last week, a group of prominent corporate CEOs organized as the R&D Coalition sent a letter to Congressional leadership urging them to reinstate the ability to immediately write-off research and development costs, a tax break that had expired as scheduled at the end of 2021. In negotiating the 2017 Trump-GOP tax law, corporations had agreed to give up beginning this year their right to deduct research expenses in the year incurred—and instead write them off in equal parts over five years—in exchange for a huge cut in the corporate tax rate (dropping from 35% to 21%) and other breaks.

The lobbying goal is to insert this corporate tax break in an omnibus appropriations package necessary to keep the government open past this Friday, making it nearly impossible for members of Congress to oppose it without risking a government shutdown.

Among the tax-dodging corporations pushing for yet another special break are retail behemoth Amazon, tech giant Advanced Micro Devices, and defense contractor Northrop Grumman. (See details on the recent tax history of these and other coalition members below.)

A four-year extension of immediate deductibility included in the House-passed Build Back Better Act (BBBA) was paid for through offsetting tax increases on profitable corporations and the wealthy. With the BBBA stalled in the Senate, the Coalition is trying to secure the R&D break without any offsetting tax increases, meaning the cost of the break will go straight to the deficit.

The cost of this R&D break is front-loaded, bad timing when concern in Congress over the contribution of the federal deficit to inflation is one of the reasons the BBBA has been blocked. The Joint Committee on Taxation estimates that extending this tax break would cost $125 billion (p. 6) over the next four years. The total cost would gradually decrease as R&D expenses immediately deducted are no longer available as write-offs in later years, but that assumes Congress would end the tax break, which is unlikely to happen given they are considering reneging on the 2017 deal now.

In the wake of the Trump tax cuts, which resulted in corporations paying lower effective tax rates than most families, it makes little sense for Congress to further cut taxes for some of the most profitable corporations in the country.

Using tax data from the Institute on Taxation and Economic Policy (ITEP), Americans for Tax Fairness has identified at least six corporate members of the R&D Coalition that paid well below the statutory 21% corporate tax rate or even had a negative tax liability in recent years:

- **Advanced Micro Devices**: Earned $1.7 billion in profit between 2018 and 2020, but had a negative tax liability of $1 million during that period, making their effective corporate tax rate -0.1%.
- **Amazon**: Earned $78.6 billion in profit between 2018 and 2021 but only paid $4 billion in corporate taxes during that period, making their effective tax rate just 5.1%. Amazon also sits on the leadership committee of the R&D Coalition.
- **Ball Corporation**: Earned $598 million in profit between 2018 and 2020, but had a negative tax liability of $11 million during that period, making their effective corporate tax rate -1.8%.
- **Honeywell:** Earned $10.2 billion in profit between 2018 and 2020 but only paid $412 million in corporate taxes during that period, making their effective tax rate just 4.0%.
- **Motorola Solutions:** Earned $2.7 billion in profit between 2018 and 2020 but only paid $225 million in corporate taxes during that period, making their effective tax rate just 8.3%.
- **Northrop Grumman**: Earned $12.4 billion in profit between 2018 and 2020 but only paid $1.3 billion in corporate taxes during that period, making their effective tax rate just 10.5%. Northrop Grumman also sits on the leadership committee of the R&D Coalition.

This corporate tax avoidance is occurring as corporations make more money than ever. In the 3rd quarter of 2021, corporate profits were the highest in history, both in dollar terms and as a share of the economy. Expectations are that those earnings jumped even more in the last three months of the year and that for the full year, profits were up by a startling half.

In February, ATF and ITEP sent a joint letter to Congress imploring members to oppose rushing through a corporate-backed R&D extension as part of an appropriations deal.

"At a time of record-breaking corporate profits, it is unconscionable for Congress to provide new corporate tax giveaways," said **Frank Clemente, executive director of Americans for Tax Fairness**. "Extending the R&D tax break would be a slap in the face to millions of families that saw their Child Tax Credit expire at the end of last year or are waiting for Congress to provide help to afford healthcare, childcare and more. Congressional leaders must not cave under pressure from tax-dodging corporations while working families receive nothing in return. The fate of the R&D tax credit should only be decided through budget reconciliation that pays for this tax break."