AMERICANS FOR TaxFairness

BILLION-DOLLAR UNION BUSTERS

HOW STARBUCKS & ITS RICH CEO ARE STIFLING WORKER ORGANIZING

CREDITS

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Americans for Tax Fairness is a diverse coalition of hundreds of national and state endorsing organizations that collectively represent tens of millions of members. The organization was formed in 2012 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.

BILLION-DOLLAR UNION-BUSTERS

Multibillion-dollar coffee corporation Starbucks is waging a fierce and expensive campaign to oppose widespread unionization at its stores—expenses the company will be able to write off on its taxes, shifting the cost of its union-busting efforts onto American taxpayers. While Starbucks is fighting its employees who are demanding a voice on the job and better compensation, its CEO Howard Schultz has experienced a huge increase in wealth in recent years and Starbucks has seen its tax rate slashed by more than a third. Here are the details:

— Starbucks and its billionaire CEO, Howard Schultz, can well-afford to improve employees' pay and working conditions through unionization. **Schultz's personal fortune increased by nearly $1 billion** during the COVID pandemic, leaping to nearly $4 billion today. Over the last decade his wealth has increased by about $640,000 a day on average, or more money in a single day than most of his store employees are likely to make from Starbucks in a lifetime.

— **Starbucks' effective federal income tax rate was slashed from 28% to 18%** after it got a massive corporate tax cut from President Trump and Congressional Republicans in 2017. In 2020 and 2018 , Starbucks only paid an effective federal tax rate of 5.8% and 3.3%, respectively.

— **Starbucks' CEO compensation last year was almost 1,600 times more than the average Starbucks employee**, the 11th worst CEO-to-worker pay ratio among the S&P 500. Starbucks' board of directors have essentially awarded themselves millions of dollars in corporate stock and approved $12 billion in corporate stock buybacks in recent years, mostly benefiting themselves and other wealthy shareholders.

— Meanwhile, Starbucks workers saw their current median income of $12,400 rise by less than $300 last year, a 2.3% raise that failed to keep pace with the 5.8% inflation rate.

— Despite $4.1 billion in 2021 profits, Starbucks no-holds-barred efforts to prevent their workers from organizing have included improperly firing leading organizers and effectively "bribing" workers not to join unions. **Legislation in Congress would end taxpayer subsidies of union-busting efforts in which Starbucks is now engaged.** The **No Tax Breaks for Union Busting Act** would prevent corporations from deducting the cost of pressure tactics intended to intimidate their employees to not organize for better pay and benefits, thus making union-busting more expensive for employers.

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STARBUCKS' PANDEMIC PROFITS ARE NOT TRICKLING DOWN

Starbucks and its billionaire CEO, Howard Schultz, are using underhanded tactics to try to keep their low-wage workers from organizing for better pay and benefits. Schultz and Starbucks are trying to bust their employees' union aspirations despite both having struck it rich during the nation's pandemic misery. Right now, their heavy-handed intimidation efforts—which in at least one instance broke the law—are tax-deductible, meaning the rest of us are picking up the tab. Democratic-sponsored legislation in Congress would end taxpayer subsidies of union-busting campaigns like the one underway at Starbucks.

Starbucks can certainly afford to pay its workers more and offer them better benefits. In 2021, the corporation reported $4.1 billion in pre-tax income, up $3.2 billion (457%) from the pandemic-impacted 2020 and surpassing their pre-COVID 2019 income by $620 million (17.6%). Kevin Johnson, the CEO of Starbucks until March of this year, was rewarded with $20.4 million in compensation in 2021, a bump of nearly $5.8 million (39.3%) from 2020.

These huge profits failed to trickle down to ordinary Starbucks employees, who saw their median income rise less than $300 in 2021 to $12,395, up from $12,113 in 2020. This 2.3% raise failed to keep pace with last year's 5.8% inflation rate, so workers actually lost ground. The Starbucks CEO-to-worker pay ratio last year was a yawning 1,579-to-1, 11th worst among S&P 500 corporations.

It is little wonder then that many of Starbucks' 245,000 U.S. employees have recently decided to come together to demand a better deal from the company. Last December, Starbucks workers won their first union elections in Buffalo. That was just the beginning: as of July of this year, over 5,500 workers in more than 200 Starbucks branches have voted to form unions in order to negotiate for better wages and benefits.

Howard Schultz, billionaire and recently reinstated CEO of Starbucks

> **"Schultz's personal pandemic wealth gains of $940 million alone could pay for a $3,847 bonus for every Starbucks worker.**

BRINGING IN A BILLIONAIRE CEO TO BUST THE UNION

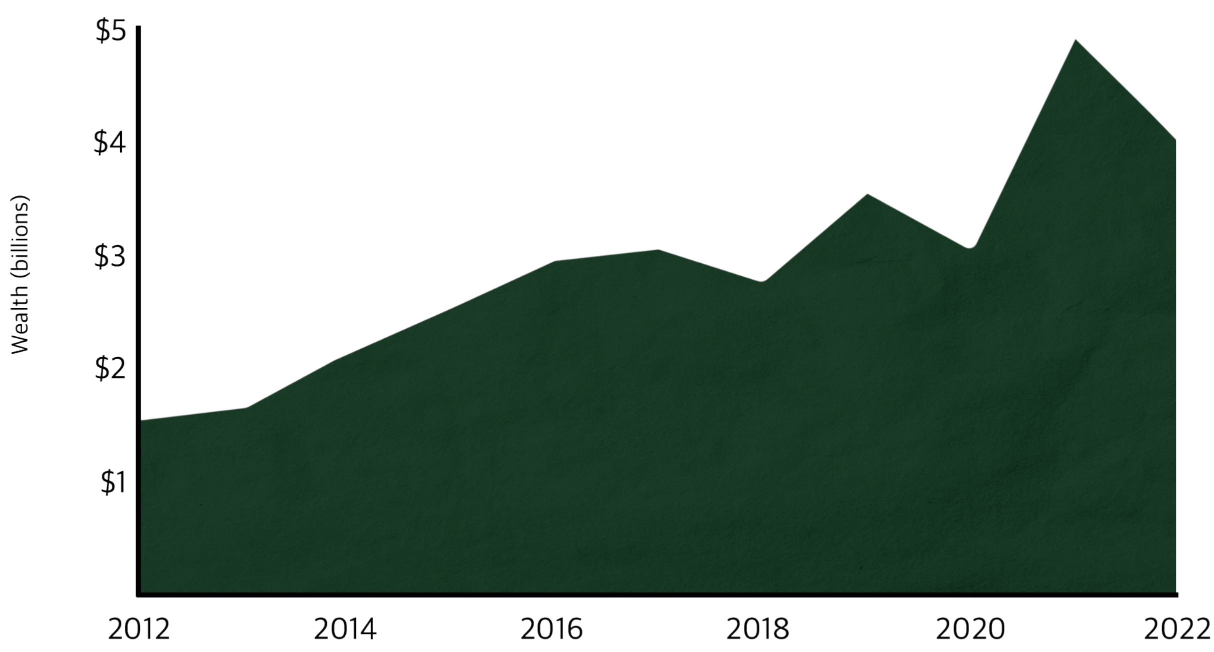
Despite its professed liberal image, Starbucks has responded to its workers' organizing efforts not with cooperation and understanding but fierce, sometimes underhanded opposition.

To spearhead the union busting, Starbucks reinstated its former CEO billionaire Howard Schultz. Selling high-end coffee has been good to Schultz: as of this summer, he was worth almost $4 billion, most of which comes from his ownership in Starbucks. That's up almost a third (31.3%) or $940 million over the first 28 months of the COVID-19 pandemic. Especially in the first year of the virus, Starbucks stores like other retail outlets were shuttered, leading to massive layoffs of baristas.

Of course, Schultz was prospering before COVID, too. Between February 2012 and July 2022 his wealth increased by $2.44 billion, or 163% in a decade. [See Chart] That's approximately **$640,000 a day on average**, or more money in a single day than most of his store employees are likely to make from Starbucks in a lifetime.

His booming fortune has not made Schultz generous with his employees. His personal pandemic wealth gains of $940 million alone could pay for a $3,847 bonus for every Starbucks worker. But instead Schultz has tried to divide Starbucks workers by offering a 5% to 7% wage increase only to stores that refuse to unionize, a likely violation of federal labor laws.

Howard Schultz's Net Worth Since 2012



Source: ATF Analysis of Howard Schultz Wealth [tab 1]

STARBUCKS BOARD MEMBERS REWARD THEMSELVES WHILE DENYING WORKERS

Though stingy with the rank-and-file, the leaders of Starbucks are happy to share in the corporate wealth. On Schultz's first day as a returned CEO, in March 2022 when unionization drives were heating up, Starbucks' Board of Directors effectively awarded themselves 38,320 shares of company stock valued at around $3.35 million. [See Table] (Technically, shareholders approved the award but board-recommended proposals of this type rarely fail shareholder votes.)

In a single day each of Starbucks' ten directors were paid about $335,000—the combined annual salaries of 27 Starbucks employees making the company's median wage.

Starbucks Board Member Compensation, 2020-2022

Board Member	Corporate Affiliation	Shares Awarded March 16, 2022	Value
Mellody Hobson	Ariel Investments	5,662	$494,915
Richard E. Allison Jr.	Domino's Pizza	3,546	$309,956
Andrew Campion	Nike	3,546	$309,956
Mary N. Dillon	Ulta Beauty	3,775	$329,973
Isabel Ge Mahe	Apple	3,546	$309,956
Jorgen Vig Knudstorp	LEGO	3,775	$329,973
Satya Nadella	Microsoft	3,546	$309,956
Joshua Cooper Ramo	Sornay	3,546	$309,956
Clara Shih	Salesforce	3,546	$309,956
Javier G. Tereul	Colgate-Palmolive	3,832	$334,955
TOTAL AMOUNT		**38,320**	**$3,349,551**
Average for Board Members		**3,832**	**$334,955**

Source: ATF Analysis of Starbucks Financial Reports [tab 2]

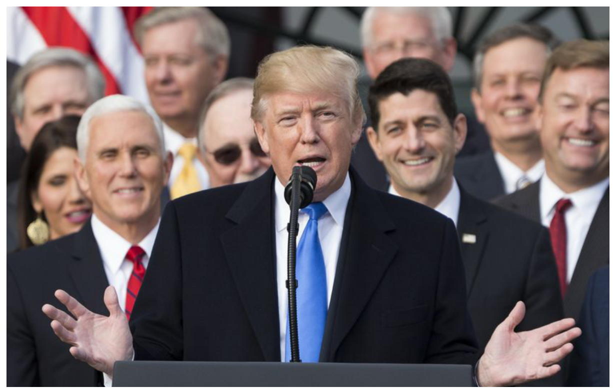
This huge handout to board members was nothing new. In 2021, Starbucks directors awarded themselves $3.1 million mostly in the form of corporate stock, and in 2020 they gave themselves $3.6 million. Given that corporate board members only work an average of 248 hours annually, the three years of director compensation constituted a wage of more than $1,300 per hour for each of the company's 10 board members.

TRUMP TAX CUTS WERE A MASSIVE WINDFALL FOR STARBUCKS

Starbucks has made huge profits by changing the American consumers relationship with coffee through a 30-year run of expansion. It has made over $25 billion in domestic income over the past eight years. [See Table]

A big boost to its bottom line over the past four years has been a one-third cut in its federal income tax payments compared to the four previous years, thanks to the Trump-GOP tax cuts in 2017, which slashed the corporate tax rate from 35% to 21%.

In the four years since enactment of the Trump tax cuts Starbucks' effective federal income tax rate fell from 28.1% to 18.2% compared to the 2014-17 period. In two of the post-Trump-GOP tax cut years, 2020 and 2018, Starbucks only paid an effective federal tax rate of 5.8% and 3.3%, respectively.



Starbucks' effective federal income tax rate fell after the Trump tax cuts.

Starbucks Profits & Taxes, 2014-2021

Starbucks Financial Data (millions $)	Pre-TCJA (2014-2017)	Post-TCJA (2018-2021)	Total
U.S Pre-Tax Income	$12,218	$13,388	$25,606
Federal Income Tax	$3,259	$2,302	$5,561
State/Local Income Tax	$620	$727	$1,347
Effective Federal Tax Rate	28.1%	18.2%	

Source: ATF Analysis of Starbucks Financial Reports [tab 3]

Rather than using this huge tax break to meaningfully boost the pay and benefits of its workers, Starbucks in 2019 and 2020 spent nearly $12 billion in stock buybacks. Buybacks raise the value of shares remaining in the hands of investors, who are overwhelmingly wealthy. In October 2021 then Starbucks CEO Kevin Johnson committed to spending an additional $20 billion in stock repurchases and dividend payments over the next three years.

When Schultz took over in March 2022, he temporarily suspended the stock buyback plan benefiting wealthy investors to "invest more profit into our people and our stores." He's pledged to invest only $1 billion this fiscal year. That's a small fraction of what Starbucks has spent and still presumably plans to spend on shareholder buybacks. He has also restricted this investment to workers and stores that have not completed or even begun the process of unionization—which the National Labor Relations Board has alleged is an illegal withholding of wages.

AN ICON OF THE LIBERAL ELITE BLOCKING WORKERS FROM ORGANIZING

This form of "wage theft" is just one of the unethical and perhaps illegal tactics Schultz and Starbucks have used to try to halt the accelerating wave of unionization at stores. Though their response to the union drive began reasonably enough—holding worker town halls to hear employee grievances and offering modest wage increases—it has since turned nasty. As of early August 2022, Starbucks had racked up 276 unfair labor practice charges.

The dirtiest tactic Starbucks has deployed has been firing for trumped-up reasons leading union organizers. Most notably, Starbucks in February dismissed seven Memphis workers who served on their store's union organizing committee after they spoke to the press. A judge recently ordered Starbucks to reinstate the "Memphis Seven" to their positions with back pay. The company has allegedly fired more than 70 pro-union employees in recent months. Starbucks can afford to pay the relatively light penalties for violating federal labor laws, while workers often have to wait months without pay for courts to rule in their favor.

In addition to firing workers, Starbucks has fought unionization by shutting down stores where workers show an interest in organizing. Of the 19 stores Starbucks has closed in the past few months, 42% had union activity. That seems like more than a coincidence, since there's been union activity in only around 4% of the company's stores overall. Starbucks has also called for a halt to all mail-in union-certification votes nationwide, based on allegations of ballot tampering that union leaders dismiss as spurious.

> **"As of early August 2022, Starbucks had racked up 276 unfair labor practice charges... In addition to firing workers, Starbucks has fought unionization by shutting down stores where workers show an interest in organizing.**

HOW CONGRESS CAN CURB STARBUCKS-STYLE UNION BUSTING

Congress needs to enact legislative reforms that begin to curb the power and influence of billionaires and their corporations and puts an end to the kind of hard-ball union busting now being demonstrated by Starbucks and its billionaire CEO. These include:

— **Billionaire Minimum Income Tax**
Billionaires like Howard Schultz have extraordinary influence over individual corporations, our economy and increasingly our democracy. Many pay little and in some cases nothing in federal income taxes, leaving them with enormous wealth to "buy elections". Over a recent nine-year period, the top 400 billionaires paid an average effective federal income tax rate of only 8.2% when the growth in the value of their stock holdings is included in their income. Meanwhile, the average federal income tax rate for all taxpayers is just 13.3%. It's time billionaires begin to start paying their fair share. A first step would be to pass President Biden's Billionaire Minimum Income Tax, which has been introduced in the House (H.R. 8558) by Reps. Steve Cohen (D-TN) and Don Beyer (D-VA). It would raise $360 billion over 10 years.

— **Raise the Corporate Income Tax Rate to at Least 28%**
Many large and very profitable corporations don't pay a dime in federal income taxes some years because of tax loopholes and many others don't come close to paying their fair share. The first year after Republicans slashed the official corporate tax rate from 35% to 21%, corporations on average paid less than 8%. Over the last four years Starbucks has averaged about 18%, a few points above the average rate paid by Americans. The corporate income tax is one of the fairest ways of raising revenue because it overwhelmingly comes out of the pockets of shareholders and they are overwhelmingly wealthy. Raising the corporate tax rate to 28%—half way back to where it was five years ago—would not put U.S. firms at a disadvantage because the rates of our international economic rivals are very similar.

— **No Tax Breaks for Union Busting**
Sen. Bob Casey (D-PA) and Rep. Donald Norcross (D-NJ) have introduced legislation (S.4192 / H.R.8448) that would classify business' interference in worker organization campaigns like political speech under the tax code and thus no longer be tax deductible. The set of activities denied a deduction would include both unlawful attempts to influence employees, such as violations of the National Labor Relations Act; and lawful activities that nonetheless should not be subsidized by taxpayers, such as so-called "captive audience meetings" and million-dollar anti-union advertising campaigns employed in union-certification elections. The bill also establishes an IRS reporting requirement for employers who intervene in protected labor activities. The legislation has 102 House cosponsors and 24 Senate cosponsors.

— **Increase Penalties for Labor Violations**
The Build Back Better Act, which passed the House in November 2021, would have authorized penalties for employers that violate federal labor laws of up to $50,000 for each violation. This could be doubled up to $100,000 for any violation resulting in termination and serious economic harm and where the employer has previously committed such violation in the preceding

five years. This would finally make it financially detrimental for big corporations to fire union organizers on flimsy pretenses.

— **Fully Fund the National Labor Relations Board**
The NLRB's annual budget hasn't budged from $274 million for the past eight years. Because costs have gone up, this stagnant funding has caused staffing to decline by more than 30%, from 1,733 to just 1,210. The NLRB plays a critical role in enforcing federal labor laws, and starving it of funds makes it harder to protect workers' rights. House Democrats voted to invest $350 million in the NLRB over the next decade as part of the Build Back Better Act.