

# How Walmart is Dodging Billions in Taxes

AND  
SCHEMING  
TO AVOID  
BILLIONS  
MORE





[Americans for Tax Fairness](http://www.AmericansForTaxFairness.org) is a diverse coalition of 425 national and state 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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# EXECUTIVE SUMMARY

Walmart is the [largest corporation in America](#),<sup>1</sup> with [revenues of \\$473 billion and \\$16 billion in profits](#) in 2013.<sup>2</sup> Its success is based in part on a business model centered on relentless cost cutting – squeezing suppliers who in turn seek ever lower costs by manufacturing products in countries where labor is cheap.

Walmart has a second strategy for slashing costs that has largely escaped public scrutiny – it doesn't pay its fair share of taxes. In effect, taxpayers are left to pick up Walmart's tab.

In addition, as revealed in an earlier ATF report, taxpayers spend an estimated \$6.2 billion a year subsidizing Walmart's low wages and meager employee benefits through food stamps, Medicaid and other taxpayer-funded programs.

This report outlines how Walmart currently "cuts costs" by dodging its fair share of U.S. taxes, and how it stands to further "cut costs" if corporate tax rates get slashed and the United States adopts a territorial tax system. The study also shows how Walmart pursues its ends by lobbying members of Congress, contributing to candidates to gain access on Capitol Hill, and working through large business coalitions.

This report finds that Walmart avoids \$1 billion a year in taxes by exploiting existing federal tax loopholes. It is trying to cut its tax bill by at least another \$720 million a year – more than \$7 billion over 10 years – by getting Congress to lower the corporate income tax rate by 10 percentage points, from 35 percent to 25 percent.

Walmart is also pushing hard to permanently eliminate from U.S. taxation profits that are reportedly earned in other countries – known as a territorial tax system.

Currently, corporations are allowed to indefinitely postpone paying taxes on overseas profits until the earnings are brought to the United States – a gaping loophole known as "deferral." This gives corporations great incentive to earn profits offshore (or make it look like they are earned offshore) – often by moving jobs overseas. Walmart and many other corporations want to make this loophole permanent by adopting a territorial tax system.

The cost of reducing the corporate tax rate to 25 percent is a staggering [\\$1.3 trillion over 10 years](#), according to the Joint Committee on Taxation.<sup>3</sup> Some say that this cost would be paid for by closing some corporate tax loopholes – known as revenue neutral reform. But corporate lobbying to save the loopholes will be intense, and the burden will most likely fall on the shoulders of American taxpayers.

America needs substantial increased investments in public infrastructure, research on new medical cures, cleaner sources of energy and pre-K, primary and secondary education. Corporate tax reform that loses revenue, or is at best revenue neutral, would likely mean that those needs go unmet.

If Walmart continues to succeed in its relentless quest to cut costs, American families will pay the price in numerous ways.

"My advice to this committee is straightforward: lower the corporate rate as much as you can, make the tax base as broad as you can, and move to a territorial system as quickly as you can."

–Mike Duke, Walmart President & CEO, [testimony to Senate Finance Committee](#), July 26, 2011

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# KEY FINDINGS

- **WALMART DODGES \$1 BILLION A YEAR IN U.S. TAXES, ON AVERAGE, THROUGH TAX LOOPHOLES.**  
The U.S. statutory corporate tax rate – the amount corporations are supposed to pay – is 35 percent. But Walmart used tax loopholes to reduce its effective tax rate – what it actually pays – to an average of 29.1 percent from 2008 to 2012. This allowed the company to cut its tax bill by \$5.1 billion over those five years – a tax savings of \$1 billion a year, on average.
- **WALMART MIGHT AVOID ANOTHER \$720 MILLION A YEAR IN TAXES – AND \$7 BILLION OVER A DECADE –IF CORPORATE TAX RATES ARE LOWERED TO 25 PERCENT.**  
If Walmart lowered the corporate income tax rate from 35 percent to 25 percent, its tax rate might drop from its average of 29.1 percent from 2008 to 2012 to 25 percent. Based on Walmart’s \$87 billion in profits over those years, the company would have paid \$3.6 billion less in taxes or million a year.
- **TAXPAYERS ALREADY SPEND AN ESTIMATED \$6.2 BILLION A YEAR SUBSIDIZING WALMART’S LOW PAY AND MEAGER BENEFITS.**  
That’s because Walmart pays its employees so little that many of them rely on food stamps, Medicaid and other taxpayer-funded programs.
- **WALMART IS AVOIDING PAYING U.S. TAXES ON \$21.4 BILLION IN OFFSHORE PROFITS.**  
Walmart reports that the profits it makes offshore and on which it is not paying U.S. taxes have doubled in recent years, growing from \$10.5 billion in 2008 to \$21.4 billion in 2013. Because corporations can indefinitely postpone paying U.S. taxes on offshore profits that have not been brought to America, Walmart has paid nothing to the U.S. Treasury on those earnings. Meanwhile, Walmart’s international capital spending remained steady over the same period that these untaxed offshore profits doubled suggesting that Walmart is piling up cash overseas to avoid paying U.S. taxes on the earnings, rather than using the profits for offshore investments.
- **WALMART COULD DODGE BILLIONS MORE IN TAXES UNDER A TERRITORIAL TAX SYSTEM.**  
A territorial tax system would eliminate all U.S. taxation of offshore profits. Any profits Walmart and its suppliers earn abroad would be taxed solely by the country in which they are earned. If a country has a lower tax rate than the U.S. – which many countries where Walmart operates do – Walmart would immediately cut its tax bill. A territorial tax system also would provide even more incentives for corporations to shift production and profits offshore to low-tax jurisdictions. One study has estimated that such a system would encourage U.S. corporations to create 800,000 jobs in low-tax countries rather than here at home.
- **WALMART PLAYS A LEADING ROLE IN EFFORTS TO REDUCE CORPORATE TAXES.**  
Walmart is working to influence tax legislation in three ways – through lobbying, campaign contributions and issue advocacy via major corporate coalitions. Walmart employs 74 lobbyists – 80 percent of whom have previously served in government – and it has spent \$32.6 million lobbying on tax and other issues over the past five years. Tax issues have been by far Walmart’s top lobbying focus. Its PAC has contributed \$6.1 million to federal candidates, committees and political parties since 2009. And Walmart is the only major discount retail company that is a member of three major business coalitions trying to lower corporate tax rates – the RATE Coalition, Alliance for Competitive Taxation (ACT) and the Business Roundtable (BRT) – two of which (ACT and BRT) are advocating for a territorial tax system.

# How Walmart is Dodging Billions in Taxes

*AND SCHEMING TO AVOID BILLIONS MORE*

**\$1 billion  
each year**

Amount of taxes Walmart dodges each year, on average, through corporate tax loopholes

**\$7 billion  
over 10  
years**

Amount of **ADDITIONAL** taxes Walmart may avoid if it gets U.S. corporate tax rate cut to 25%

**\$6.2  
billion  
a year**

Estimated amount taxpayers spend a year subsidizing Walmart's low pay and meager benefits

**\$21.4  
billion**

Amount of profits Walmart has offshore on which it is avoiding paying U.S. taxes

**800,000  
jobs**

Estimated number of jobs that will be created offshore if Walmart succeeds at creating a "territorial" tax system that does not let the U.S. tax offshore corporate profits

**74  
Lobbyists**

Working for Walmart – tax issues are Walmart's top lobbying priority

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# WALMART CUTS COSTS BY DODGING FEDERAL TAXES & SHIFTING COSTS TO TAXPAYERS

## Walmart dodges \$1 billion a year in U.S. taxes, on average, through tax loopholes

Although the U.S. corporate income tax rate is [35 percent](#),<sup>4</sup> Walmart was able to take advantage of tax loopholes to reduce its effective tax rate to an [average of 29.1 percent from 2008 to 2012](#), according to Citizens for Tax Justice (CTJ).<sup>5</sup> This allowed the company to reduce its tax bill by \$5.1 billion over those five years – a tax savings of \$1 billion a year on average.<sup>6</sup>

To get this lower tax rate, CTJ notes that Walmart utilized various tax breaks, including a strategy known as “accelerated depreciation.”<sup>7</sup> It allows “companies to write off their capital investments considerably faster than the assets actually wear out,” and is “technically a tax deferral, but so long as a company continues to invest, the tax deferral tends to be indefinite.”<sup>8</sup> The [Center for American Progress has noted](#) that, “Accelerated depreciation in general should be thought of as a multibillion-dollar federal spending program that subsidizes business investments.”<sup>9</sup>

## Taxpayers already spend an estimated \$6.2 billion a year subsidizing Walmart’s low pay and meager benefits

A groundbreaking Americans for Tax Fairness report from earlier this year, [Walmart on Tax Day](#), found that taxpayers already spend an estimated \$6.2 billion a year supporting Walmart’s employees.<sup>10</sup> That’s because so many workers rely on publicly subsidized benefits to compensate for Walmart’s low pay and meager benefits, which are often not enough to live on. Public programs included in this estimate are Medicaid, Earned Income Tax Credit, National School Lunch Program, School Breakfast Program, Section 8 Housing Program, Low Income Home Energy Assistance Program, and the Supplemental Nutrition Assistance Program (SNAP), commonly known as food stamps.

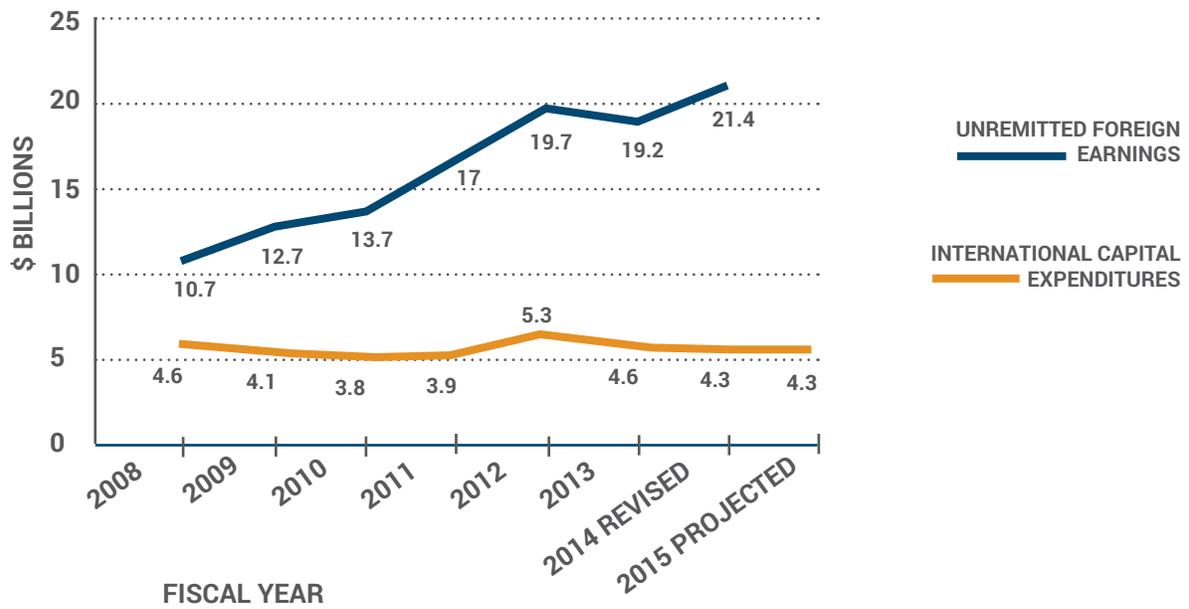
## Walmart is avoiding paying U.S. taxes on \$21.4 billion in offshore profits

Walmart, like other U.S. corporations, legally is able to indefinitely put off paying U.S. taxes on profits earned in other countries. A [big tax break – known as deferral](#) – allows companies to avoid paying federal income taxes on profits earned or booked offshore until they are brought to the United States.<sup>11</sup> There is no limit for how long a company can keep the money offshore, allowing it to avoid U.S. taxes forever. Even when they do officially bring their offshore profits here, American companies get a credit for the foreign taxes they pay on their foreign income to avoid being double taxed.

Deferring taxes on all offshore profits will cost the federal government \$265.7 billion between 2013 and 2017 – over [\\$50 billion per year on average](#) – according to the Joint Committee on Taxation.<sup>12</sup>

Walmart’s “unremitted foreign earnings” – offshore profits on which the company is able to defer paying U.S. taxes – have doubled in recent years, growing from \$10.5 billion in 2008 to \$21.4 billion in 2013. [Figure 1] Meanwhile, the company’s international capital spending has remained steady. This suggests that Walmart is piling up cash overseas to avoid paying U.S. taxes on the earnings, rather than using those profits for offshore investments.

FIGURE 1. COMPARISON OF WALMART'S UNTAXED OFFSHORE PROFITS AND INTERNATIONAL CAPITAL EXPENDITURES



Sources: Wal-Mart Stores, Inc. SEC Form 10-K (2010 to 2014); Wal-Mart Stores, Inc. Annual Report to Shareholders (2008 to 2014)<sup>13</sup>

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# WALMART MAY SAVE BILLIONS FROM CORPORATE TAX REFORM

## Walmart might avoid another \$720 million a year in taxes – and \$7 billion over a decade – if corporate tax rates are lowered to 25 percent

Walmart is not content to save \$1 billion a year in federal income taxes using current tax loopholes. It wants an even bigger tax cut by reducing the corporate income tax rate from 35 percent to 25 percent. If that happens, Walmart might save at least \$720 million more in U.S. income taxes each year based on the profits it made and the taxes it paid from 2008 to 2012. Over ten years, Walmart might avoid more than \$7 billion.

Here's how: Walmart had profits of \$87.2 billion between 2008 and 2012. It paid [\\$25.4 billion in taxes, or 29.1 percent](#), according to Citizens for Tax Justice.<sup>14</sup> Assume that with tax reform all corporate tax breaks and loopholes get closed (a highly unlikely outcome) so that Walmart's \$87.2 billion in profits is the company's taxable income. If Walmart's tax rate had been 25 percent with no tax credits, it would have paid at most \$21.8 billion over those five years – or \$3.6 billion less in taxes than it actually paid. (Walmart would probably pay even less, as it is unlikely that Congress will eliminate all corporate tax breaks with tax reform.) That's an annual tax cut of \$720 million, averaged over those five years.

## Walmart could dodge billions more under a territorial tax system

A top priority of Walmart is creation of a [territorial tax system](#).<sup>15</sup> It will allow Walmart to dodge paying its fair share of taxes, and it will provide significant incentives for Walmart and its suppliers to shift production, jobs and profits offshore. This will further undermine the U.S. economy and workers, requiring families and small businesses on Main Street to make up the difference for tax avoidance.

### LOWER TAXES

Under the U.S. tax system, Walmart pays taxes to a foreign country on its earnings in that country, at that country's tax rate. Then it pays taxes to the United States on those profits up to the 35 percent U.S. rate, receiving credit for all taxes paid to the foreign country. Of course, Walmart does not pay any U.S. taxes on that income until it is brought to America because of deferral.

One way to think about how much more in taxes Walmart would avoid under a territorial system is to consider the \$21.4 billion in undistributed profits that Walmart has overseas today. While Walmart owes U.S. taxes on those profits under the current tax system, under a territorial tax system such profits would not be subject to U.S. taxes. We do not know how much in foreign taxes Walmart has paid on those earnings, making it impossible to calculate how much it would save in U.S. taxes, but it would likely be in the billions of dollars.

There is a reason Walmart has made a territorial tax system a top priority. It will provide the company with multiple avenues for reducing U.S. income taxes: most of Walmart's overseas operations are in countries with lower tax rates; Walmart's suppliers with manufacturing facilities in low-tax countries will cut their costs; and the company and its suppliers would be able to increase U.S. tax avoidance by establishing subsidiaries in offshore tax havens and use accounting gimmicks to shift income to those subsidiaries.

Walmart, like many U.S. multinational corporations, justifies its demand for a territorial tax system by saying it is critical in order to compete with its foreign competitors whose headquarters countries have

a territorial tax system.<sup>16</sup> This claim is especially misleading when made by Walmart, the world’s second largest company, which dominates the U.S. market and already pays one of the lowest effective tax rates among its top rivals. [Table 1]

**TABLE 1. BIG BOX AND DISCOUNT RETAILERS EFFECTIVE TAX RATES**

COMPANY	FIVE-YEAR TOTALS, 2008-2012		
	PROFIT \$ MILLIONS	TAX \$ MILLIONS	TAX RATE
Target	\$20,381	\$5,537	27.2%
Dollar General	\$4,268	\$1,183	27.7%
<b>Wal-Mart Stores</b>	<b>\$87,187</b>	<b>\$25,376</b>	<b>29.1%</b>
Costco Wholesale	\$7,350	\$2,177	29.6%
Family Dollar Stores	\$2,543	\$792	31.1%
Dollar Tree Stores	\$3,099	\$992	32.0%
Kohl’s	\$7,922	\$2,540	32.1%
Home Depot	\$22,677	\$7,471	32.9%
Bed, Bath & Beyond	\$5,840	\$1,986	34.0%
Ross Stores	\$4,319	\$1,492	34.5%
Lowe’s	\$14,846	\$5,338	36.0%

Source: Citizens for Tax Justice/ITEP, [“The Sorry State of Corporate Taxes,”](#) pp. 38-39

**TERRITORIAL TAX SYSTEM INCENTIVIZES MOVING JOBS AND PROFITS OFFSHORE**

By eliminating all U.S. taxation of offshore profits, Walmart and its competitors would have even more incentives to [shift production and profits offshore to low-tax jurisdictions](#), according to an analysis by the Center on Budget and Policy Priorities.<sup>17</sup> Domestic manufacturers will have more incentives to pack up for lower-cost countries and even get a tax break to do it. High-tech, pharmaceutical, finance and other companies whose profits are based on intellectual property, such as patents, or on capital flows will have even more incentives to expand their current practice of making it look like profits earned in the United States are “booked” in tax havens.

As under the current tax system, those industries that have a lot of business overseas will be big winners, and those that are primarily domestic firms will be hurt – especially small businesses.

One study has estimated that a territorial tax system would encourage U.S. corporations to [create 800,000 jobs](#) in low-tax countries rather than here at home.<sup>18</sup>

Despite a clear commitment to significantly reduce its corporate tax bill, Walmart, like its competitors in the bricks-and-mortar retail sector, cannot easily offshore its primary retail operations. Most of the jobs are where the stores are and, for Walmart, that means primarily in the United States. Roughly [1.3 million of Walmart’s 2.2 million](#) direct employees are in America.<sup>19</sup>

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However, much of Walmart's business model has been built on the highly profitable practice of providing the lowest cost goods to consumers. To maximize the savings in this model, Walmart has a famously hands-on relationship with suppliers, consistently pushing them to lower costs, even when that has meant moving production overseas.

As Gary Gereffi, Director of the Center on Globalization, Governance, & Competitiveness at Duke University, has explained, "Walmart basically tells its suppliers, 'We need to get those products at 30% lower price. You need to move to Asia, you need to move to China because that will meet our bottom line price figures.'"<sup>20</sup>

Recently, Walmart has been leading a [public relations effort](#) about its supposed role in reviving American manufacturing.<sup>21</sup> However, there is no evidence thus far of a change in the company's near singular commitment to low-cost sourcing.<sup>22</sup> If a territorial tax system is adopted to favor additional overseas investments, we can expect that Walmart will push suppliers to take advantage of the low-cost option, regardless of the impact on jobs and taxpayers at home.

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# HOW WALMART IS WORKING TO CUT CORPORATE TAXES

Walmart is a “heavy hitter” when it comes to the influence business in Washington. It is working to affect Congressional decision-making in three principal ways – direct lobbying of members of Congress, campaign contributions to lawmakers, and indirect lobbying and public relations campaigns financed through corporate coalitions of which Walmart is a member.

## Direct lobbying

Walmart has [spent \\$32.6 million on lobbying over the last five years](#), according to the Center for Responsive Politics.<sup>23</sup> It [ranked second out of more than 70 companies](#) and trade groups in the retail sector based on the amount of money spent on lobbying in 2013.<sup>24</sup>

The company has [74 lobbyists in its stable](#) – 81 percent of whom used to work in the federal government.<sup>25</sup> Five of them are former members of Congress ranging from liberal Democrats to conservative Republicans – former Sens. Don Nickles (R-OK) and Blanche Lincoln (D-AR) and former Reps. J.C. Watts (R-OK), Jim McCrery (R-LA) and Ron Dellums (D-CA).

For the past five years [tax issues have been far and away Walmart’s top lobbying priority](#)<sup>26</sup>– ranging from ensuring that states have the power to tax out-of-state Internet sales to corporate tax reform to international tax issues to renewing tax extenders – a set of tax breaks mostly benefitting business that are renewed every year or two at a cost of \$85 billion over two years.<sup>27</sup>

Walmart has a strong presence in the corporate effort to renew tax extenders. A recent study by Americans for Tax Fairness found that Walmart had [26 lobbyists working on tax extenders from 2011 to 2013](#).<sup>28</sup> Only four corporations had more lobbyists working on this issue – General Electric (48), General Motors (37), Citigroup (29), and Roche Holdings (29).

## Using campaign contributions to gain access to members of Congress

Like many corporations, Walmart uses campaign contributions to help open doors. Since 2009 Walmart has [contributed \\$6.1 million to federal candidates](#), political parties and committees, to help gain access on both sides of the aisle in a divided Congress.<sup>29</sup>

Not surprisingly, Walmart’s contributions favored members of the tax-writing committees. House Ways and Means committee members averaged about \$10,500 each from Walmart from 2009 through 2014, whereas House members as a whole averaged under \$5,000 apiece. Walmart’s average contribution to Senate Finance Committee members was 40 percent higher than to senators not on the committee – \$7,000 vs. \$5,000. [Table 2]

**TABLE 2. WALMART'S PAC CONTRIBUTIONS GO DISPROPORTIONATELY TO MEMBERS OF CONGRESS ON TAX COMMITTEES, JAN. 1, 2009 TO SEPT. 30, 2014**

	SENATE FINANCE COMMITTEE MEMBERS	ALL OTHER SENATORS	WALMART "BONUS" FOR TAX COMMITTEE MEMBERS
AVERAGE CONTRIBUTIONS PER SENATOR	\$6,938	\$5,011	38.5%
	HOUSE WAYS & MEANS COMMITTEE MEMBERS	ALL OTHER REPRESENTATIVES	WALMART "BONUS" FOR TAX COMMITTEE MEMBERS
AVERAGE CONTRIBUTIONS PER REPRESENTATIVE	\$10,447	\$4,979	109.8%

Source: Analysis of customized data from the Center for Responsive Politics, [www.opensecrets.org](http://www.opensecrets.org)

### Supporting big business coalitions that push for lower corporate taxes

Walmart is a big player in the tax reform effort through its membership in three major tax reform coalitions or trade associations – the RATE (Reforming America’s Taxes Equitably) Coalition, Alliance for Competitive Taxation (ACT) and the Business Roundtable (BRT). Among its top competitors, Walmart is the only company that has overlapping membership in all three corporate lobbying operations. Unlike Walmart, most discount retailers are not members of even one of these entities. [Table 3]

**TABLE 3. BIG BOX AND DISCOUNT RETAILERS PARTICIPATING IN CORPORATE TAX REFORM COALITIONS**

COMPANY	RATE MEMBER	ACT MEMBER	BRT MEMBER
Bed, Bath & Beyond			
Costco Wholesale			
Dollar General			
Dollar Tree Stores			
Family Dollar Stores			
Home Depot	Yes		
Kohl's			
Lowe's			
Ross Stores			
Target			Yes
<b>Wal-Mart Stores</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>

Source: Membership lists of RATE, ACT and BRT

Each coalition is briefly described below.

### THE RATE COALITION

Walmart pursues its political goals in part through its membership in the [RATE Coalition](#), which is trying to reduce the U.S. corporate income tax rate to 25 percent.<sup>30</sup>

The RATE Coalition has [32 large corporate members](#), from giant retailers (Walmart, Macy's, Home Depot) to military contractors (Boeing, General Dynamics, Lockheed Martin) to communications behemoths (AT&T, Verizon and Viacom).<sup>31</sup> The organization works to convince policymakers and the public that the 35 percent top corporate tax rate is too high and that it puts U.S. businesses at a disadvantage to their foreign competitors. Numerous independent analyses [challenge these claims](#).<sup>32</sup>

The RATE Coalition works to shape public opinion by holding press conferences calling for lower corporate tax rates and by placing numerous op-eds in [major newspapers](#) and in [Capitol Hill publications](#).<sup>33</sup> It carries favor by [praising the efforts](#) of senior members of the Congressional tax-writing committees.<sup>34</sup> It writes letters to Members of Congress and it [provides written testimony](#) for Congressional hearings.<sup>35</sup>

RATE has chosen one Democrat and one Republican as co-chairs – former Clinton administration official Elaine Kamarck and conservative pundit and former George H.W. Bush administration staffer James Pinkerton – to help establish the perception of bipartisan consensus.

The RATE coalition is not very clear when it comes to recommending how to pay for the huge tax-rate reductions. Its website states that “if necessary to facilitate a meaningful reduction in the corporate tax rate, corporate tax base-broadeners should be on the table.” In other words, RATE may support the paring back of some corporate tax loopholes if a reduction in corporate tax rates does not “justify itself via increased economic growth.” More likely, it will lobby hard to keep corporate taxes as low as possible.

Walmart's association with the RATE Coalition allows it to keep an arm's-length distance from the efforts to reduce corporate taxes – an unpopular position with the American public. [Recent polling](#) shows that Americans want corporations to pay more in taxes, not less.<sup>36</sup> By supporting the RATE Coalition, Walmart can stay in the background while it furthers its goal of lowering corporate tax rates.

## Is the 35% Corporate Tax Rate too High?

Many U.S. corporations do not pay close to a 35 percent statutory tax rate – the rate specified by law. Their effective tax rate – what they actually pay after deducting for tax breaks and loopholes – is much lower.

- Profitable corporations paid U.S. income taxes amounting to just [12.6% of worldwide income](#) in 2010, according to the Government Accountability Office.<sup>49</sup>
- 288 profitable Fortune 500 corporations [paid an average effective federal tax rate of just 19.4%](#) from 2008 through 2012, according to Citizens for Tax Justice (CTJ).<sup>50</sup>
- Of 125 corporations in the CTJ study that had significant foreign profits, 82 (two-thirds) paid a higher effective rate to foreign governments than they paid to the United States.
- General Electric, Boeing, Verizon, Priceline.com, and 22 other profitable Fortune 500 firms paid no federal income taxes from 2008 through 2012, according to CTJ; 111 profitable Fortune 500 firms paid zero federal taxes in at least one of those five years.

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## BUSINESS ROUNDTABLE

Walmart also promotes its low-tax agenda through the [Business Roundtable](#) (BRT), an association of chief executive officers of nearly 200 major U.S. companies with more than \$7.3 trillion in annual revenues and nearly 16 million employees.<sup>37</sup> The BRT is a powerful and outspoken advocate of [lowering corporate tax rates and eliminating U.S taxes on foreign profits](#).<sup>38</sup>

The BRT calls for lowering corporate tax rates to 25 percent. It also tries to focus the debate on the current top rate of 35 percent – what corporations are supposed to pay – not the effective tax rates – what they actually pay. Like the RATE Coalition, the BRT claims that high corporate tax rates put U.S. companies at a competitive disadvantage.

The Business Roundtable [“supports corporate tax reform](#) that is revenue neutral within the corporate sector, thereby ensuring that any reforms to the corporate tax system are financed strictly through broadening of the corporate income tax base.”<sup>39</sup> In other words, it believes that any savings achieved through closing corporate tax loopholes should be used to lower corporate tax rates – not be used to reduce the deficit (a top priority of the BRT) or to make new investments in rebuilding our infrastructure, researching new medical cures or more. Yet the BRT does not specify what loopholes should be closed in order offset the estimated \$1.3 trillion ten-year cost of lowering the corporate tax rate to 25 percent.

The BRT seeks an even bigger prize than lowering corporate tax rates – it wants to move the country to a “territorial” tax system in which foreign profits are not taxed in the United States. Its carefully-honed messaging criticizes the [“double taxation”](#) of foreign earnings, language that is deliberately deceitful because BRT accountants certainly know that U.S. taxes on foreign profits are reduced by the amount paid in taxes to the foreign country.<sup>40</sup>

Walmart benefits from the BRT’s sports-themed [“Home Court Advantage”](#) campaign, which argues that lowering corporate taxes will spur economic growth in the United States.<sup>41</sup> But it gains most from the BRT’s massive lobbying operation, one of the largest in Washington. The BRT employs [75 lobbyists](#)<sup>42</sup> and has spent [\\$60 million over the last five years](#) lobbying Congress and the White House.<sup>43</sup> Tax issues have been the [top priority](#) of its lobbying efforts for the last five years.<sup>44</sup>

## THE ALLIANCE FOR COMPETITIVE TAXATION

Walmart furthers its goals of lowering the corporate tax rate and ending U.S. taxation of foreign profits through the Alliance for Competitive Taxation (ACT), whose [members include 41 of America’s largest corporations](#).<sup>45</sup>

ACT is an eclectic mix of companies from old-line manufacturers (Caterpillar, Dow Chemical, International Paper) to New Economy leaders (Cisco, Intel, Google) to pharmaceutical companies (Abbott, Eli Lilly, Pfizer) to Wall Street titans (Bank of America, JPMorgan Chase, Morgan Stanley, Prudential). Unlike RATE coalition companies that are focused more on the domestic market, ACT companies are all multinational in scale with significant business and/or investments offshore.

In its [mission statement](#), ACT states that it “supports comprehensive tax reform that lowers the corporate tax rate to 25 percent and establishes a modern globally competitive tax system that aligns the United States with the rest of the world.”<sup>46</sup>

ACT says that the massive \$1.3 trillion tax cut from lowering the rate to 25 percent [should “be fully paid](#) for by ending tax breaks and preferences so that not one dime is added to the deficit.”<sup>47</sup> Unfortunately, that means some of America’s biggest and most profitable corporations – like Walmart – would not be asked to contribute anything towards deficit reduction. Yet, programs benefitting working Americans were cut by about [\\$1.5 trillion in recent years](#) to reduce the deficit.<sup>48</sup>

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# CONCLUSION

American consumers flock to Walmart because of its low prices -- what they don't know is that this comes at a high cost.

An April 2014 report by Americans for Tax Fairness revealed that American taxpayers subsidize Walmart's low wages and meager benefits at an estimated cost of \$6.2 billion a year. This new study finds that Walmart takes advantage of tax loopholes to shift an additional \$1 billion a year, on average, onto the backs of taxpayers.

At the same time, Walmart is part of a coordinated effort by large U.S. companies to dramatically lower the U.S. corporate income tax rate. If they successfully lower the corporate rate to 25 percent, Walmart alone could cut its tax bill by an additional \$720 million a year.

In addition, Walmart indefinitely delays paying U.S. taxes on the \$21.4 billion in profits it currently holds offshore -- income that is not able to be taxed by the United States until it is brought home. If Walmart is successful in enacting the company's tax reform agenda, including a territorial tax system, the company will likely avoid billions in additional taxes on foreign profits. Such a system would also give Walmart and other corporations additional incentives to move production and jobs overseas and to encourage its suppliers to do the same.

Walmart's efforts to dodge paying its fair share of taxes thus far have not been subject to much public scrutiny. Walmart employs 74 lobbyists who press members of Congress on a range of issues -- taxes is by far their primary focus. Walmart has spent \$32.6 million lobbying over the past five years, ranking #2 among corporations and trade groups in the retail sector.

Walmart executives largely avoid making public pronouncements about the company's drive to cut corporate taxes. They likely know that Americans overwhelmingly oppose corporate tax loopholes and further cuts in corporate tax rates. That may be why Walmart is the only big box and discount retailer that is a member of three prominent trade and advocacy coalitions that are committed to lowering corporate tax rates, two of which want to eliminate federal taxes on foreign profits.

The full cost of Walmart's efforts to "cut costs" by avoiding U.S. taxes may not be known for years. However, it is clear that if the company is successful in its efforts to cut the corporate tax rate and move the United States to a territorial tax system Walmart will save tens of billions of dollars over the long term. Unfortunately, the price of Walmart's aggressive efforts to cut its tax bill will be borne by American taxpayers.

# ENDNOTES

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- <sup>13</sup> Capital expenditure data for 2010-2015 is reported in Wal-Mart Stores, Inc. SEC Form 10-K, Segment Reporting (Note 14). Capital expenditures for 2008-2009 and unremitted foreign earnings are reported in Wal-Mart Stores, Inc. Annual Report to Shareholders, for 2008 to 2014.
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