

MORE FOR THEM LESS FOR US

CORPORATIONS THAT PAY THEIR EXECUTIVES

★ MORE THAN UNCLE SAM ★



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AMERICANS FOR TAX FAIRNESS (ATF) is a diverse campaign of more than 420 national, state and local endorsing organizations united in support of a fair tax system that works for all Americans. It has come together based on the belief that the country needs comprehensive, progressive tax reform that results in greater revenue to meet our growing needs. This requires big corporations and the wealthy to pay their fair share of taxes, not to live by their own set of rules. ATF is a project of the New Venture Fund—a section 501(c)(3) non-profit organization.

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INTRODUCTION

Corporate tax dodging and executive pay packages have both gotten so far out of control that a significant number of major U.S. corporations are paying their top executives more than they're paying Uncle Sam in federal income taxes.

The Institute for Policy Studies and Americans for Tax Fairness analyzed executive pay data for some of the country's most notorious corporate tax dodgers over the period 2018-22 and found 64 of them paid more to their top five executives than they did in federal taxes in at least two out of those five years. For over half (35) of these corporations, their payouts to top corporate brass over that entire span exceeded their net tax payments.

The study's corporations were drawn from the [recent report](#) on corporate tax dodging issued by the Institute on Taxation and Economic Policy. This study builds on years of analysis and advocacy on the issue of [corporate tax dodging](#) by ATF and by [IPS on excessive executive pay](#).

Lavish corporate compensation packages and inadequate corporate tax payments are not unrelated phenomena. Executives are in part reaping rewards for the corporate tax avoidance strategies they pursue, and corporate boards have more money to spend on their highest-paid employees when they don't have much or anything to pay in taxes. Until this self-reinforcing cycle is broken, we'll have a corporate tax and governance system that works for top executives—and no one else.

KEY FINDINGS

- 35 major U.S. corporations—including famous names like Ford, Netflix and Tesla—paid less in federal income taxes between 2018 and 2022 than they paid their top five executives. All 35 were cumulatively profitable over that five-year span.
- Among these 35 corporations, the total compensation reported for named executive officers—typically the chief executive officer (CEO), chief financial officer (CFO) and the next three highest-paid executives—over this five-year period was \$9.5 billion; while their combined federal income tax bills came to a negative \$1.8 billion—that is, rather than paying taxes they received refunds.
- An additional 29 profitable corporations paid their top executives more than they paid in federal income taxes in at least two of the five years of the study period.
- 18 corporations in the study—despite reporting net profits over the five-year span—paid \$0 in federal income taxes. Actually, except in one case, all paid less than zero because they got refunds. Assisted in part by these draws on the national treasury, these 18 corporations that paid \$0 in federal income taxes found the resources to lavish their executives with a cumulative \$5.3 billion in pay packages.

- The 64 firms in the study posted cumulative pre-tax domestic profits of \$657 billion between 2018 to 2022, yet paid an average effective federal tax rate of just 2.8% (the statutory rate is 21%) while paying their executives over \$15 billion.
- For decades, corporate profits as a share of the economy have been generally rising and CEO pay has been skyrocketing. However, the average effective corporate-tax rate—what firms actually pay as a percentage of their earnings—has been steadily trending downwards.

See the Appendix for details on all the companies included in this study, including their profits, top executive pay, federal income-tax payments and effective tax rate.

THE STUBBORN PROBLEM OF CORPORATE TAX DODGING

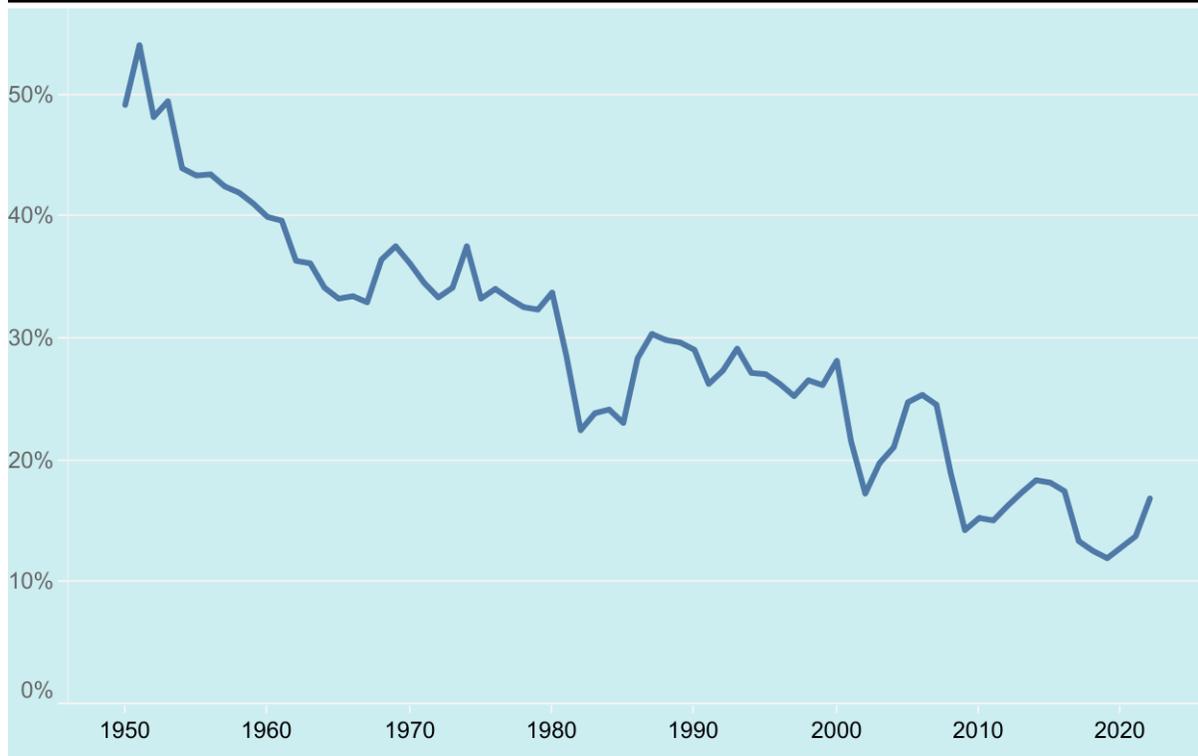
Big profitable corporations don't pay their fair share of taxes. The [recent report](#) from the Institute on Taxation and Economic Policy (ITEP) found that 342 large corporations paid a cumulative effective tax rate of just 14.1% over the five years 2018-22. ITEP only included in its study corporations that had turned a profit every year during this period. The statutory corporate rate is 21%. The 14.1% these large corporations actually paid is not much more than individual taxpayers—from all income groups, rich to poor—tend to pay. In one of the years of the study (2020, the latest with available data) households [paid an average 13.6%](#).

Despite over \$130 billion in cumulative profits over those five years, 23 of the firms in the study paid zero or less in taxes—less than zero in that they together received nearly \$4 billion in refunds. Among the refund recipients were familiar names Office Depot, T-Mobile and Duke Energy.

Another 32 corporations—including AT&T, General Motors and Netflix—all paid average tax rates of less than 5% over the span, despite over half a trillion dollars in cumulative earnings. The next 32 in the study by tax rate paid under 10% on almost \$300 billion in profits; this group includes Walt Disney, Verizon and Etsy.

Tax Rates Paid By Corporations Have Fallen for Decades

Effective cumulative federal, state and local corporate tax rate, 1950-2022



Source: Americans for Tax Fairness analysis of Bureau of Economic Analysis data

This legal tax dodging by individual corporations translates into a general drop in the contribution of corporate taxes to federal revenue. In the middle of the last century, corporations routinely provided [between a quarter and a third](#) of all federal receipts. For the past 40 years—corresponding to the era of tax cutting for corporations and the wealthy initiated by Ronald Reagan—the corporate share of federal tax revenue has never exceeded 15%. State and local taxes increase the effective rate but cumulative taxes have been falling as well since 1950.

Part of the reason for the decline in corporate taxes as a contributor to federal income is that more businesses are organizing as entities that are [not subject to the corporate income tax](#).¹ But another indicator of insufficient corporate taxation is not impacted by that trend. For decades, corporate profits as a share of the economy have been generally rising. Higher profits should lead to higher tax revenue, but they have not. Instead, according to [Bureau of Economic Analysis](#) data, the gap between rising U.S. corporate profits and stagnant corporate taxes—both measured as a share of GDP—doubled between 1980 and 2022.

¹ Only so-called C corporations pay the corporate income tax. Other forms of business organization—including partnerships and S corporations—pay no tax at the entity level. Instead, profits and losses are passed through to the business owners, who pay any tax due on their personal returns at individual rates.

Gap Between Profits and Taxes as a % of GDP Has Doubled

U.S. corporate profits and corporate taxes as a share of the economy, 1980-2022



Source: Americans for Tax Fairness analysis of Bureau of Economic Analysis data

This relative decline in corporate taxes can largely be attributed to the three-fifths reduction over the past 40 years in the top statutory corporate tax rate—the official rate—from 51% in 1986 [to just 21% today](#).²

As a result of the declining statutory rate, and the failure to close the loopholes and end the special breaks for corporations that whittle down their tax obligations further, the average effective rate—what firms actually pay as a percentage of their earnings—has been steadily trending downwards. According to an Americans for Tax Fairness analysis of [Bureau of Economic Analysis](#) data, the effective corporate tax rate in the middle of the last century was around 50% to 54% when including state and local taxes as well. As of 2022 (the most recent year with available data), the cumulative corporate rate was just 17%.

Corporations use a variety of tactics to avoid paying taxes. One of the most damaging to both federal tax receipts and domestic employment is the [shifting of profits](#) and shipping of jobs offshore. Big firms also use excessive deductions that don't reflect economic reality or that reward

² Prior to 2018, when a single corporate tax rate of 21% was established, corporations paid a variety of rates dependent on income. The 51% rate in 1986 was levied on income between \$1 million and \$1,405,000.

reward destructive corporate behavior to reduce their tax bills. These super-charged write-offs include the expenses paid for plant and equipment ([100% bonus depreciation](#)), [interest on loans](#); and [research](#).

The [Trump-GOP tax law enacted in 2017](#) made the problem of undertaxed corporations worse. Most prominently, it cut the statutory corporate tax rate by two-fifths, from 35% to 21%. Effective tax rates predictably tumbled as well.

The Government Accountability Office found that the average effective tax rate for large (over \$10 million in assets) profitable corporations fell from 16% in 2014—before the new law—to [just 9% in 2018](#), the first year under the new rules. A later study sponsored by the Federal Reserve Board of thousands of U.S. firms determined that the effective tax rate for public multinational corporations had fallen from almost 17.5% in 2016 to [only 10.7% in 2019](#). The corresponding decline for public firms that only operate domestically was from 17.5% to just 11.9%. The average effective corporate tax rate has increased slightly in recent years, but the economic upheaval caused by Covid-19, the official response to the pandemic and the burst of inflation that followed make it impossible to correlate the Trump tax cuts with corporate performance or tax payments.

Proponents claimed the Republican tax law would address the problem of corporations stashing profits in overseas havens, but many of its reforms instead encouraged the sending of even more corporate earnings and operations abroad.

For the first time in U.S. tax history, the offshore profits of American firms have been exempted from our nation's standard system of corporate taxation. Instead, they are now subject to a new tax on Global Intangible Low-Taxed Income (GILTI), whose effective rate—10.5%—is just half the domestic rate. What's worse, the dollar amount due on GILTI actually shrinks the more [physical plant American firms have overseas](#). Another new tax created by the GOP law, on Foreign Derived Intangible Income (FDII), offers the same perverse incentive but in reverse: tax payments shrink the less firms have invested in the United States.

THE EPIDEMIC OF EXCESSIVE EXECUTIVE PAY

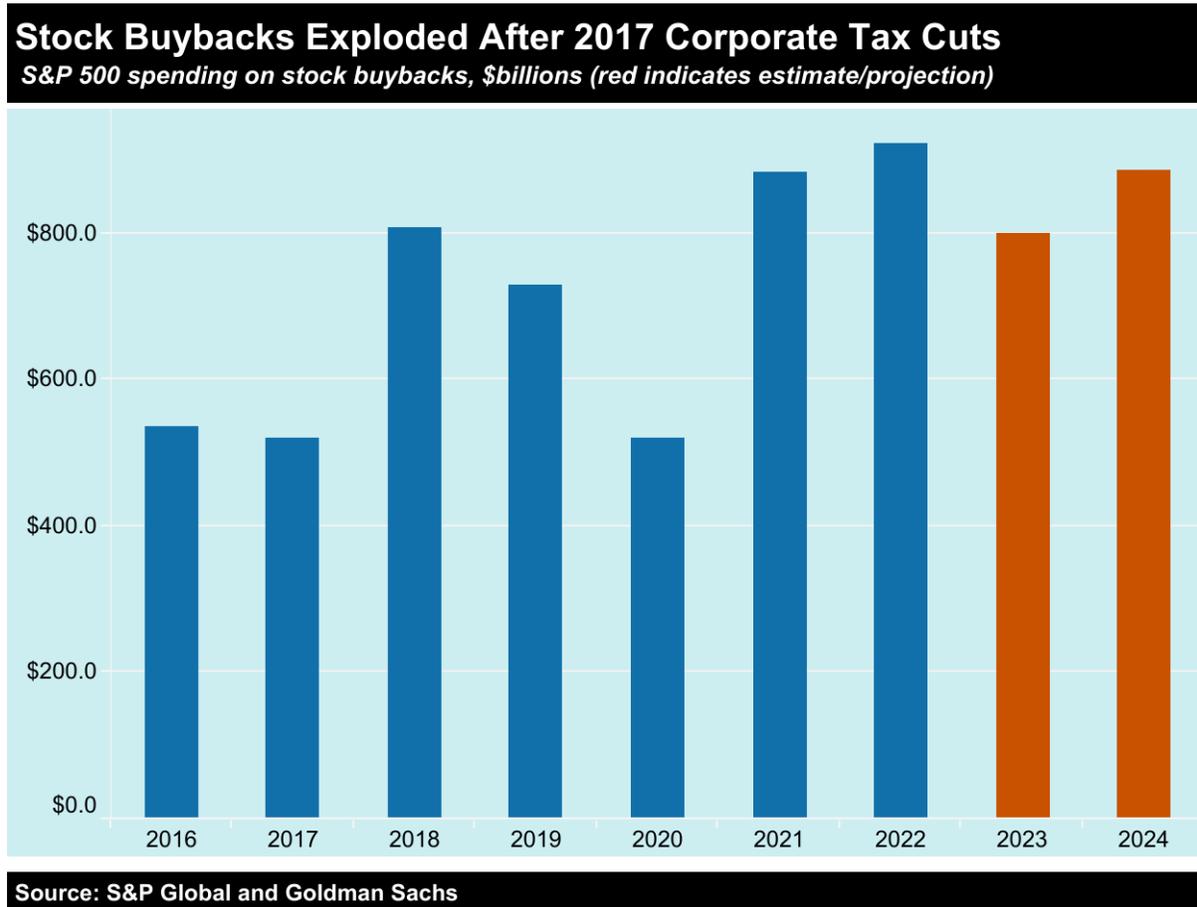
As corporate contributions to federal tax revenue have plummeted, CEO pay has skyrocketed, leaving typical worker pay far behind. In 1965, the gap between average CEO and worker pay stood at just [21 to 1](#). By 2022, the CEO-worker pay gap had grown to [344 to 1](#).

CEO pay levels began exploding in the early 1990s when companies started doling out boatloads of equity-based compensation to their top brass. A [1993 tax reform](#) encouraged this trend. The law capped at \$1 million how much publicly traded corporations could deduct in compensation for their top executives. But this cap came with a huge loophole. It did not apply to so-called “performance-based” pay.

This generous exception gave rise to consultants who specialize in developing complex executive compensation packages laden with stock options and stock awards tied to performance metrics that vest over multiple years. Boards of directors, often stacked with highly paid executives from other companies, point to these “pay for performance” plans to justify the obscenely large share of company profits going to top executives.

But most companies hand out these equity-based grants every year, which implies they’re not really tied to extraordinary performance. This timing also turns so-called “long-term” performance incentives into invitations for short-term maneuvers to boost share values by any means necessary—from slashing jobs and safety protections to cooking the books. In bull markets, even the most incompetent corporate leaders can ride the rising tide and reap huge windfalls by cashing in their equity compensation.

Executives can also use stock buybacks to artificially inflate the value of their stock-based pay. In a buyback, a corporation repurchases its own stock on the open market, thereby raising the value of shares remaining in investor hands. This financial maneuver was effectively banned as a form of [stock manipulation](#) until a Reagan-era rule change. Recent years have seen a buyback bonanza. In the immediate aftermath of the 2017 tax law, America’s largest corporations used windfalls from this legislation to boost executive paychecks through a [record-breaking stock buyback spree](#).



S&P 500 firms plowed [\\$806 billion](#) into stock buybacks in 2018, the first year the Trump-GOP tax law was in effect. This was a massive jump from the [\\$519 billion](#) they spent repurchasing their stock in 2017, just before the GOP tax cuts. That huge post-Trump-law outlay changed the norms for buyback spending, and as the economy began recovering from the Covid pandemic, corporations began shattering buyback spending records once again. In 2024, S&P 500 buybacks are expected to hit at least [\\$885 billion](#) and could rise to as much as [\\$1 trillion](#).

Spending tax-cut windfalls and other profits on stock buybacks siphons resources from worker wages, R&D and other productive investments that stimulate long-term growth. Analysts have documented the association between buybacks and worker layoffs, as well as reduced [capital investment and innovation](#) and [wage stagnation](#).

[Extensive research](#) has also shown that extreme gaps between CEO and worker pay undermine corporate performance by lowering employee morale and boosting turnover. Analysis from the [Wall Street Journal](#) and the corporate governance firm [MSCI](#) also found that higher-performing CEOs actually had lower median pay than their peers.

Rather than an indicator of high performance, massive CEO paychecks reflect a rigged corporate-governance system that allows the leaders of our most powerful corporations to extract personal wealth from the workers and communities that support their firms.

SPECIAL TAX-ADVANTAGED RETIREMENT ACCOUNTS FOR EXECUTIVES

After receiving massive pay packages, most top executives can shelter unlimited amounts of that compensation from the IRS. A double standard in our tax code for government retirement subsidies allows corporations to set up special tax-deferred compensation accounts for their senior executives that have no caps on annual contributions. By contrast, ordinary employees enrolled in 401(k) and similar plans face strict limits on the amounts they can set aside, tax-free, for their golden years.

Executives owe income taxes on this deferred compensation only when they withdraw the funds. In the meantime, they benefit from the tax-free compounding of investment returns. Often called “[top hat](#)” plans, these special executive perks are [increasingly common](#) in Corporate America. According to [Institute for Policy Studies research](#), the top five executives at S&P 500 firms held a combined \$8.9 billion in these unlimited tax-deferred compensation accounts at the end of 2021.

Executives of tax-dodging corporations make good use of these exclusive plans. NextEra Energy CEO James Robo, for instance, held [\\$133.8 million](#) in his tax-deferred account at the end of 2022. Chevron CEO Michael Wirth was sheltering [\\$22.0 million](#) (p. 87) in his tax-advantaged account. NextEra paid its top executives more than it paid in federal income taxes over the entire 2018-22 period. Chevron did so in three out of the five years.

RECENT REFORMS HAVE ADDRESSED THE PROBLEM BUT NOT SOLVED IT

Over the past 15 years, policymakers have taken some important [steps towards addressing runaway executive pay](#). In the wake of the 2008 financial crash, Congress passed legislation requiring corporations to report the ratio between their CEO and median worker pay, and [two U.S. cities](#)—Portland, OR, and San Francisco—are now imposing local tax penalties on companies with ratios overwhelmingly favoring the boss.

The [2017 Trump-GOP tax law](#) closed the loophole that had allowed corporations to continue to deduct compensation over \$1 million if that compensation was “performance-based.” Under the new rules, the million-dollar cap applies to all compensation, however defined. The [American Rescue Plan Act of 2021](#) expanded the number of employees covered by the deductibility cap from five to 10.

Federal officials have also recently taken two important steps to crack down on CEO-pay-inflating stock buybacks. Congress introduced a new [1% excise tax](#) on buybacks and the Biden administration is starting to attach [buyback restrictions to federal subsidies](#).

But much more needs to be done. The pandemic exposed more clearly than ever before the myth behind the Great Man Theory: no one individual in the corner office—nor even the handful in the executive suite—is responsible for corporate success. All workers make important contributions to their companies and our economy and we would all be better off if the rewards from hard work were shared more equitably. Our current levels of excessive executive compensation affect all of us by driving the extreme inequality that is a [drag on our nation’s economic health](#) and is [concentrating political power](#) in the hands of a few.

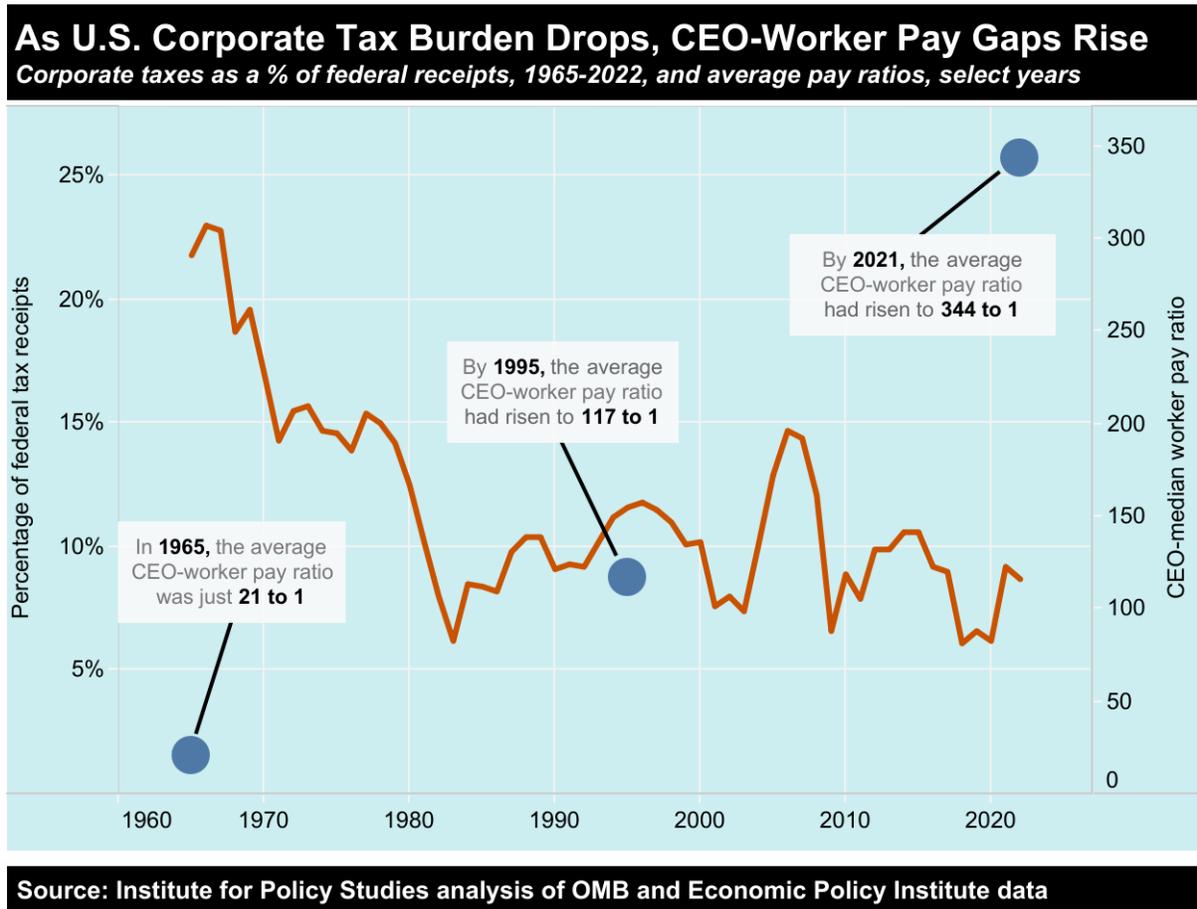
THE INTERPLAY OF CORPORATE TAX DODGING AND EXCESSIVE EXECUTIVE PAY

It’s no coincidence that some of the nation’s most notorious tax dodgers also pay their executives too much. The same greedy disregard for community values spurs the leaders of these firms to share as little company profits as possible with the public through taxation while directing as much as they can to themselves.

Executives are rewarded for “tax efficiency”—the euphemism for corporate tax dodging—which is often an easier way to raise profits than by creating goods and services more customers want to buy. And compliant corporate boards have more money to throw around the executive suite when their firms pay less in taxes.

It’s hardly a surprise that as the corporate tax burden has fallen, the pay gaps between CEOs and

ordinary workers have widened. According to an Institute for Policy Studies analysis of [Office of Management and Budget](#) and [Economic Policy Institute](#) data, when corporate taxes made up 21.8% of all federal revenue in 1965, the average CEO-to-median worker pay ratio was 21 to 1. By 2022, corporate tax receipts had fallen to just 8.7% of federal revenue and the average pay ratio had risen to 344 to 1.



★ THE TERRIBLE TEN ★

CASE STUDIES OF CORPORATIONS THAT OVERPAY THEIR EXECUTIVES WHILE PAYING LITTLE OR NOTHING IN FEDERAL INCOME TAXES

Tesla ★ T-Mobile ★ Netflix ★ American International Group ★ Ford Motor ★ NextEra Energy
Darden Restaurants ★ MetLife ★ Duke Energy ★ FirstEnergy



TESLA CEO ELON MUSK

TESLA

5-YEAR EXECUTIVE PAY: \$2.5 billion

5-YEAR U.S. PROFIT: \$4.4 billion

5-YEAR FEDERAL INCOME TAX: -\$1 million (0.0%)

Tesla began 2024 as the 8th most valuable corporation in the world with a market cap of [nearly \\$800 billion](#). It is run by one of the wealthiest men in the world, Elon Musk, who as of the end of 2023 sat on a personal fortune of [\\$251 billion](#)—built in no small part on the value of his Tesla stock. But despite the huge and growing wealth of the corporation and its principal owner, Tesla

has never paid a nickel in federal income taxes.

In 2018 Musk received the [largest pay package in history](#): nearly \$2.28 billion of stock options as a “performance award.” In the intervening years, with the rise in the price of Tesla shares, the value of those options has grown to an eye-watering \$56 billion. It became so outlandish as compensation for a single individual that a court in corporate-friendly Delaware [struck it down](#). Even if that decision survives appeal, whatever Tesla winds up paying Musk will still be more than it pays Uncle Sam.

Tesla has gone tax-free for most of its existence because it was losing money, and only profitable companies have to pay the federal income tax. But even since becoming consistently profitable several years ago, Tesla has continued to avoid tax bills. The main reason is that companies are allowed to “carry forward” excess losses to years with profits, with the old losses canceling out current earnings. These loss carryforwards smooth out the often boom-bust nature of corporate finances.

But Tesla has also apparently begun executing the kind of accounting schemes that can keep it

dodging taxes even when all its old losses have been used up. For instance, despite the fact that during the five-year period under study roughly half of all Tesla's revenue [came from the United States](#), domestic earnings accounted for less than a quarter of its worldwide income. That implies the company is shifting American profits to offshore tax havens, a frequently used [corporate tax-dodging strategy](#).

Though Tesla contributes nothing to the national treasury, it withdraws quite a lot. Despite railing about [government subsidies](#) for others, Musk was more than happy for Tesla to take millions in [government loans](#) and [other subsidies](#) that have propped up Tesla while it was “losing” money for most of the last decade.

The riches Tesla showers on Musk is not matched by the company's compensation of rank-and-file workers. Tesla markets itself as creating well-paid jobs, yet the median Tesla wage in 2022 was just \$34,000, which is down 40% from the company's \$56,000 median pay in 2018. By comparison, in 2022 General Motors and Ford offered median employee wages of \$80,000 and \$75,000, respectively.

One major reason workers at GM and Ford make more is because they're unionized. So it's not surprising that Elon Musk is a notorious union buster, [firing dozens of workers](#) in a Buffalo Tesla plant just a day after workers launched an organizing campaign. Musk was also ordered by the [National Labor Relations Board to remove a tweet](#) that blatantly threatened to take away Tesla employees' stock options if they tried to form a union.

T-MOBILE

5-YEAR EXECUTIVE PAY: \$675 million

5-YEAR U.S. PROFIT: \$17.9 billion

5-YEAR FEDERAL INCOME TAX: -\$80 million (-0.4%)

In 2020, the Trump administration approved T-Mobile's \$26.5 billion takeover of Sprint, effectively turning the [U.S. wireless network market into a triopoly](#)—the other two members of which are AT&T and Verizon. While promising this merger would reduce costs for consumers and be “job positive,” T-Mobile has [slashed at least 5,000 employees](#) and has been covertly moving subscribers to [higher cost cellular plans](#).

The only real beneficiaries from the merger were T-Mobile shareholders, who enjoyed a [100% increase in the company's share price](#). And because so much executive pay is stock-based, that resulted in a massive payday for T-Mobile's top brass. The pay packages for the company's top five executives shot up from \$85 million in 2019, before the merger, to \$285 million in 2020, after it. T-Mobile CEO and President Mike Sievert alone was paid \$158 million between 2018 and



T-MOBILE CEO MIKE SIEVERT
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2022. However, despite raking in nearly \$18 billion in profits over those five years, T-Mobile has not only paid no net federal income taxes, it's actually received a net \$80 million in refunds. It managed this feat with a variety of tactics, large and small.

T-Mobile has [spent millions lobbying Congress](#) to receive special benefits at taxpayers expense. One of the major tax victories T-Mobile and other wireless corporations were able to accomplish by throwing around so much cash was a special carveout in the 15% corporate minimum tax that allows them to keep their tax deduction for costs they've incurred [buying up spectrum licenses](#). This tax giveaway is a double win, since wireless corporations had won the right in prior legislation to bid on [roughly \\$10 billion of currently publicly owned spectrum](#). This means the federal tax code now is effectively subsidizing T-Mobile's privatization of public airwaves.

A smaller but more outrageous instance of tax dodging followed a security breach scandal. T-Mobile's corporate corner-cutting led to a massive data breach affecting tens of millions of their customers. [T-Mobile agreed to settle for \\$350 million](#), but the firm was able to lessen the sting by writing off the cost as an operating expense. Based on the statutory 21% corporate rate, a \$350 million deduction would reduce the company's tax bill by roughly \$74 million and in effect force American taxpayers to pick up part of the tab for the company's carelessness.

All of T-Mobile's successful tax dodging helped the company spend \$23.6 billion on stock buybacks during that same 2018-22 period. In addition, T-Mobile has announced plans to issue its first dividends, intending to ["give back around \\$60 billion to shareholders"](#) by the end of 2025, rather than re-investing in the workers that have helped build the company and saw their median pay fall by \$1,200 in 2022. When T-Mobile employees have tried to raise their wages by [forming a union](#), the company has retaliated with numerous instances of [labor-law violations](#).



NETFLIX CEO REED HASTINGS
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NETFLIX

5-YEAR EXECUTIVE PAY: \$652 million

5-YEAR U.S. PROFIT: \$15.1 billion

5-YEAR FEDERAL INCOME TAX: \$236 million (1.6%)

Netflix is the biggest streaming service in the world with [over 260 million subscribers](#). Despite more than \$15 billion in profits over the five-year study period, it paid an effective income tax rate likely lower than the vast majority of its customers, just 1.6%. Netflix paid their top executives nearly three times what they paid in federal income tax from 2018 to 2022.

Netflix is a major beneficiary of the [stock options loophole](#), which reduced the firm's tax bill by over \$1 billion from 2018 to 2022. Stock options give holders the right to buy shares in the future at a fixed price, which is usually pegged far below the expected market price. Like other compensation, options granted to employees can be deducted from the issuing corporation's

taxes. But the loophole allows companies to assign a much higher cost to those options when figuring taxes—thus lowering stated earnings and the resulting tax bill—than the cost claimed when calculating the earnings used to attract investors, when the goal is to inflate profits. This effectively subsidizes the employment compensation costs of corporations like Netflix that use stock options heavily as pay. Netflix’s top brass received 56% of their total income—or \$367 million—just from stock options over the five years studied.

Netflix paid co-CEO and tech billionaire Reed Hastings alone \$210 million in the period 2018-22, enough to purchase [over 1 million high-end Netflix subscriptions](#). Those outsized wages have helped Hastings’ personal wealth [more than double since 2018](#), up almost \$2.5 billion by the end of 2023. Meanwhile, between 2018 and 2022 Netflix [raised its standard subscription in the United States by 36%](#)—\$48 a year—almost twice the rate of inflation during the same time period.

AMERICAN INTERNATIONAL GROUP

5-YEAR EXECUTIVE PAY: \$406 million

5-YEAR U.S. PROFIT: \$17.7 billion

5-YEAR FEDERAL INCOME TAX: \$385 million (2.2%)³

When it comes to fleecing taxpayers while overpaying executives, American International Group has few peers. The insurance company would not even exist today if not for taxpayer largesse. The firm was at the center of the 2008 financial crisis, [which it helped bring about](#) by peddling billions of dollars of poorly understood debt instruments tied to shaky mortgages.

Deemed “too big to fail,” AIG received a bailout from the federal government that wound up [being worth over \\$180 billion](#). While millions of Americans lost their homes and jobs in the Great Recession sparked by the crisis, AIG survived thanks to government backing, albeit in diminished form.

In the years leading up to the crash, AIG top executives [routinely pocketed eight-figure paychecks](#). In early 2009, with the country struggling through the recession the company had helped cause, the board of AIG announced plans to hand out about [\\$165 million](#) in bonuses to the very same executives responsible for pushing the company—and the nation—to the brink of collapse the preceding year.

AIG also negotiated an exception to bankruptcy rules in their 2008 bailout deal with the federal



AIG CEO PETER ZAFFINO

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³ Since AIG does not separate its current federal, state and local income taxes, this figure undoubtedly overstates the amount of federal tax actually paid.

Treasury that allowed it to retain its losses to offset against future profits. One official called this maneuver to reduce future IRS bills an additional “[stealth bailout](#).”

These patterns of avoiding taxes while handing out obscene executive paychecks have continued. Thanks to taxpayer support, AIG returned to profitability and began paying taxes—though not much. Between 2018 and 2022, they netted \$17.7 billion in U.S. profits but paid just \$385 million in federal, state and local income taxes, less than they paid in compensation for top executives during this period. In 2022, AIG CEO Peter Zaffino received a compensation package worth more than \$75 million.

FORD MOTOR

5-YEAR EXECUTIVE PAY: \$355 million

5-YEAR U.S. PROFIT: \$7.8 billion

5-YEAR FEDERAL INCOME TAX: \$121 million (1.5%)

Ford loves to [tout their “unbreakable connection” with America](#), but when tax day comes they always seem to be missing in action. Even though 70% of the company’s assets are located in the U.S. and nearly two-thirds of its revenue is domestic, less than half of their pre-tax income is ascribed to the United States. Partly as a result of these accounting maneuvers, Ford paid a meager 1.5% effective U.S. corporate tax rate for 2018-22, far less than the vast majority of its workers and customers pay.

Ford paid their executives three times more than they chipped in to Uncle Sam over the five years studied. Total executive pay packages at Ford rose by 36% from 2018 to 2022, while the company’s median employee wage grew at less than half that rate. President and CEO Jim Farley enjoyed one of the most rapid gains, his pay package more than tripling from \$6 million in 2018 to \$21 million in 2022.

Ford executive chairman William Clay Ford (great-grandson of the company’s founder) warned last fall during the United Auto Workers strike that meeting the union’s wage demands would threaten the firm’s ability to [continue manufacturing vehicles in the U.S.](#) Yet chairman Ford was among the board members who approved a pay package for CEO Farley in 2022 that was bigger than the chiefs of three big [Japanese automakers received combined](#) (the top bosses at Honda, Nissan and Toyota were paid a total of \$13.5 million).

NEXTERA ENERGY

5-YEAR EXECUTIVE PAY: \$325 million

5-YEAR U.S. PROFIT: \$24.0 billion

5-YEAR FEDERAL INCOME TAX: \$287 million (1.2%)

The world's largest electric utility holding company had some of the highest pre-tax U.S. profits of any company in our sample: \$24 billion over the five-year period. Nevertheless, the company paid just \$287 million in federal income taxes (a rate of only a little over 1%), significantly less than the \$325 million in compensation for their top executives during this period.

One executive who raked in eight-figure pay packages from the firm in both 2021 and 2022 is Eric Silagy, then the CEO of NextEra subsidiary Florida Power & Light. Late last year, NextEra shareholders filed a lawsuit over Silagy's suspicious unloading of [\\$5.4 million](#) worth of company stock in 2021, precisely one day before a political scandal involving NextEra hit the headlines and tanked its share price.

Silagy abruptly resigned last year amidst growing scrutiny of his role in multiple campaign finance scandals, including a \$10 million payment by the utility company to dark-money groups behind a [“ghost candidate” scheme](#) to siphon votes away from pro-environment candidates in the 2020 election. One of the targeted candidates lost by a handful of votes.

DARDEN RESTAURANTS

5-YEAR EXECUTIVE PAY: \$120 million

5-YEAR U.S. PROFIT: \$3.6 billion

5-YEAR FEDERAL INCOME TAX: \$28 million (0.8%)

Darden is the world's largest full-service restaurant corporation: it operates Olive Garden, Capital Grille and seven other chains that collectively employ [190,000 people](#).

The company has been among [the restaurants opposing](#) an increase in the federal subminimum wage for restaurant servers and other tipped employees, a wage that has been stuck at \$2.13 per hour since 1991. Under current law, employers are supposed to make up the difference if their employees' total pay (tips plus wages) does not add up to at least the federal minimum wage of \$7.25 per hour, but [compliance with the law is spotty at best](#). In 2022, median pay for Darden employees stood at just [\\$22,248](#).

While paying workers poverty wages and next to nothing in federal taxes, Darden has rewarded top executives with huge paychecks—even in the toughest of times. In 2020, when the pandemic shuttered the company's restaurants, then Darden CEO Eugene Lee made a grand gesture of

forfeiting [\\$170,240 of his base salary](#). But board members promptly revised Lee's bonus metrics to guarantee him a \$1.9 million payout, a manipulation that inflated the CEO's total compensation to \$8.7 million, 538 times Darden's median pay that year.

METLIFE

5-YEAR EXECUTIVE PAY: \$240 million

5-YEAR U.S. PROFIT: \$11.7 billion

5-YEAR FEDERAL INCOME TAX: \$96 million (0.8%)

MetLife, the largest U.S. life insurance corporation, has been enormously profitable in recent years, netting \$11.8 billion over the 2018-2022 period. One source of those profits: an obscure U.S. government-backed financing system called Federal Home Loan Banks that is supposed to help increase affordable housing.

Instead, MetLife and other insurers have been sapping billions of dollars from this source of low-cost borrowing and then investing the funds in areas such as commercial real estate mortgages and corporate bonds rather than home mortgages. According to a [Reuters investigation](#), MetLife has been the largest exploiter of this financial sham, with 16 Federal Home Loan Banks loan agreements as of the end of 2022.

MetLife has thus been double-dipping in the federal trough by both taking advantage of a taxpayer-backed loan program while avoiding income taxes. Over our study period the firm had an effective corporate income-tax rate of just 0.8%.

Meanwhile, MetLife has been generous with its top executives and shareholders. Over the 2018-2022 period, the company handed out \$240 million to top brass and spent \$15.1 billion on stock buybacks. Since taking the top job in 2019, CEO Michel Khalaf's total compensation has ranged from \$14.6 million to \$18.1 million.

DUKE ENERGY

5-YEAR EXECUTIVE PAY: \$181 million

5-YEAR U.S. PROFIT: \$15.6 billion

5-YEAR FEDERAL INCOME TAX: -\$1.2 billion (-7.9%)

Duke Energy CEO Lynn Good and other executives have become extremely wealthy running public monopoly utilities in [six states](#). Good's total compensation package came to \$21.35 million in 2022. She's also sitting on almost [half a million shares of Duke stock](#), which at a recent stock market close was worth more than [\\$40 million](#).

Duke's decades-long reliance on coal-fired power made the firm one of the nation's largest contributors to climate change. Today, Good is a [leading proponent](#) of nuclear power, with plans for massive investments in this controversial electricity source rather than greener choices. According to the Environmental Working Group, the company has a [long history](#) of investing in boondoggles and passing the costs on to ratepayers through higher monthly bills.

Duke is one of 18 utility companies on our list of 64 tax dodgers. Why are they so prevalent? Utilities are major exploiters of "accelerated depreciation," a tax break that allows companies to write off the cost of their capital investments—such as building new power plants or replacing power lines—much faster than these investments actually wear out. While this loophole does not reduce companies' ultimate tax obligations, it does delay them—often for long periods—so because of the time value of money it is a valuable tax break. Duke alone [avoided \\$2.3 billion](#) in federal income taxes over the five years of the study thanks to bonus depreciation.

FIRSTENERGY

5-YEAR EXECUTIVE PAY: \$121 million

5-YEAR U.S. PROFIT: \$6.7 billion

5-YEAR FEDERAL INCOME TAX: -\$44 million (-0.7%)

FirstEnergy is at the center of a [massive bribery and price-gouging scandal](#), with their former President and CEO Charles Jones [charged with 10 felonies](#). Under Jones' leadership, FirstEnergy paid [\\$60 million in bribes](#) to the Ohio Speaker of the House in return for him shepherding through a \$1.3 billion bailout for one of FirstEnergy's failing nuclear power plants; and \$4.3 million to the chairman of Ohio's Public Utilities Commission to allow the company to overcharge customers [by at least \\$2 billion](#).

As part of the sprawling scandal, FirstEnergy agreed to [pay \\$230 million in penalties](#) to the federal government to avoid further prosecution. Part of the agreement forbade the company [from](#)

[writing the penalty off](#) on its taxes as a business deduction—a common practice among corporate scofflaws. Of course, that provision would mean more if the company regularly paid any federal income taxes. Over the last five years, FirstEnergy has actually received a \$44 million tax refund, even as it posted multi-billion dollar profits.

Unabashed by its brazen lawlessness, FirstEnergy has recently been seeking aggressive rate increases on its customers in multiple states: \$207 million in West Virginia, \$185 million in New Jersey and \$40 million in Maryland. (Regulators approved rate hikes, but knocked the amounts down to [\\$105 million](#), [\\$85 million](#) and [\\$28 million](#), respectively.)

With customers asked to foot the bill and the stench of scandal hanging heavy about the place, FirstEnergy executives are still living large: the top brass was paid \$121 million over the five years, including \$26 million for the now-indicted Charles Jones between 2018 and he was fired in 2020. None of the lavish pay showered on executives leading the company in its misdeeds has been rescinded. Every executive still with the company who was around during the 2020 scandal has seen his pay shoot up dramatically since then, sometimes by as much as 160%.

CONCLUSIONS & SOLUTIONS

America's working families are cheated twice when major corporations pay too little to the federal government in taxes while paying too much to their top executives in lavish compensation packages.

Corporate tax dodging deprives us of billions of dollars in corporate revenue that could be used to lower costs and improve services for ordinary people. If corporations—which are [owned almost exclusively by the wealthy](#)—paid closer to their fair share, we could make healthcare more affordable; strengthen and expand Social Security; hire more teachers; build more housing; and make other vital public investments.

At the same time, exorbitant executive pay wastes money that could be spent on expanding operations and raising the wages of everyday workers. It also contributes to the nation's yawning income and wealth gaps, which destabilize our economy, disrupt our society and endanger our democracy.

Congress can act to address the entwined problems of inadequate corporate tax payments and excess executive pay.

On the corporate tax front, Congress should hike the corporate tax rate and close loopholes. As noted earlier, the official rate is now three-fifths lower than it was 35 years ago and two-fifths below its level of just seven years ago. Even though few firms actually pay the statutory rate—

because they exploit loopholes to avoid it—still the higher the official rate, the higher the effective rates corporations actually pay. Raising the corporate tax rate to 28% (just half way back to Obama-era levels) would generate [\\$1.3 trillion in new revenue](#) over the next decade.

To make a higher corporate tax rate more meaningful, Congress must also close loopholes and eliminate wasteful tax breaks. Sen. Sheldon Whitehouse (D-RI) and Rep. Lloyd Doggett (D-TX) have introduced the [No Tax Breaks for Outsourcing Act](#), which would remove the incentives for American firms to shift profits and production offshore.

Members of Congress have also introduced a [wealth of proposals](#) to curb excessive executive pay, from tax and procurement reforms to stronger regulations to rein in stock buybacks and banker bonuses.

For corporations to reward a handful of top executives more than they are contributing to the cost of all the public services needed for our economy to thrive reflects the deep flaws in our public regulation of corporations. Rather than more tax breaks, Congress should focus on addressing these deficiencies by cracking down on the use of tax havens, eliminating wasteful corporate subsidies and closing loopholes that further enrich wealthy corporate executives.

METHODOLOGY AND SOURCES

Corporate financial data comes overwhelmingly from [the recent report](#) by the Institute on Taxation and Economic Policy (ITEP) on low corporate taxes. That report only analyzed corporations that had been profitable every year of the five years studied. This report includes some companies that do not fit that criteria, but that reported a net profit over the five-year span. ITEP has separately and kindly confirmed the accuracy of the figures for these companies, which were taken from the firms' filings with the Securities Exchange Commission (SEC).

Criteria for inclusion in this report were: (1) that a corporation had been cumulatively profitable over the five years studied by ITEP; (2) that it had paid its top executives more than it paid in taxes in at least two of those five years; and (3) that it paid a cumulative effective tax rate over those five years of less than 15%.

Executive compensation figures are drawn from the summary compensation table of company proxy statements filed with the SEC. These include base salary, cash bonuses, perks, changes in the value of retirement benefits, stock options and stock awards. Equity-based compensation figures reflect their grant date estimated value rather than the precise amounts executives receive from these awards upon vesting. We included compensation for all named executive officers (typically, the CEO, CFO and next three highest-paid executives).

APPENDIX: COMPANIES THAT PAID MORE TO EXECUTIVES THAN THEY DID IN FEDERAL TAXES

FOR THE FULL FIVE-YEAR PERIOD

35 profitable corporations that paid top executives more than they paid in federal income taxes between 2018 and 2022	Domestic Pre-Tax Profits	Federal Income Taxes	Effective Tax Rate	Executive Pay (of named executive officers)
	Five-Year Total, 2018 to 2022 (millions of dollars)			
NextEra Energy	\$23,965	\$287	1.2%	\$325
T-Mobile US	\$17,916	-\$80	-0.4%	\$675
American International Group	\$17,687	\$385	2.2%	\$406
Duke Energy	\$15,624	-\$1,228	-7.9%	\$181
Netflix	\$15,080	\$236	1.6%	\$652
DISH Network	\$12,783	\$90	0.7%	\$164
Principal Financial	\$11,976	\$46	0.4%	\$170
MetLife	\$11,658	\$96	0.8%	\$240
American Electric Power	\$10,836	-\$92	-0.8%	\$157
Kinder Morgan	\$12,867	-\$44	-0.3%	\$117
Dominion Energy	\$10,200	-\$482	-4.7%	\$156
Oneok	\$8,179	\$55	0.7%	\$107
Ford Motor	\$7,840	\$121	1.5%	\$355
Williams	\$7,818	-\$179	-2.3%	\$151
Xcel Energy	\$7,522	-\$47	-0.6%	\$140
FirstEnergy	\$6,662	-\$44	-0.7%	\$121
NRG Energy	\$6,040	\$3	0.0%	\$104
Salesforce	\$6,032	\$175	2.9%	\$508
DTE Energy	\$5,845	-\$494	-8.5%	\$139
Ameren	\$5,471	\$0	0.0%	\$121
Sempra Energy	\$5,171	\$6	0.1%	\$228
United States Steel	\$4,894	\$26	0.5%	\$172
Entergy	\$4,507	\$56	1.2%	\$171
Tesla	\$4,426	-\$1	0.0%	\$2,495
AmerisourceBergen	\$3,820	-\$148	-3.9%	\$149
PPL	\$4,309	-\$40	-0.9%	\$150
CMS Energy	\$4,186	-\$128	-3.1%	\$90
Evergy	\$3,876	-\$86	-2.2%	\$100
Voya Financial	\$3,684	-\$295	-8.0%	\$177
Darden Restaurants	\$3,648	\$28	0.8%	\$120
Atmos Energy	\$3,617	-\$7	-0.2%	\$92
Alliant Energy	\$3,049	\$1	0.0%	\$82
Match Group	\$2,029	\$10	0.5%	\$229
UGI	\$2,114	-\$75	-3.5%	\$93

Agilent Technologies	\$2,097	\$130	6.2%	\$150
TOTAL	\$277,427	-\$1,719	-0.6%	\$9,492

Source: [Americans for Tax Fairness](#)

IN AT LEAST TWO OF THE FIVE YEARS

29 profitable corporations that paid top executives more than they paid in federal income taxes in at least 2 of the 5 years between 2018 and 2022	Domestic Pre-Tax Profits	Federal Income Taxes	Effective Tax Rate	Executive Pay (of named executive officers)
	Five-Year Total, 2018 to 2022 (millions of dollars)			
AT&T	\$96,280	\$2,536	2.6%	\$506
General Motors	\$33,110	\$431	1.3%	\$318
Chevron	\$23,121	\$1,461	6.3%	\$326
Marathon Petroleum	\$22,394	\$2,390	10.7%	\$271
Southern	\$19,021	\$582	3.1%	\$252
Charter Communications	\$18,849	\$1,212	6.4%	\$313
Honeywell International	\$17,194	\$1,480	8.6%	\$276
FedEx	\$16,229	\$752	4.6%	\$194
Pioneer Natural Resources	\$14,583	\$241	1.7%	\$165
Exelon	\$13,096	\$635	4.8%	\$221
Hartford Financial Services	\$11,761	\$1,436	12.2%	\$180
Ally Financial	\$13,278	\$489	3.7%	\$143
Vertex Pharmaceuticals	\$10,146	\$1,042	10.3%	\$256
Lumen Technologies	\$8,756	\$279	3.2%	\$214
Coterra Energy	\$8,410	\$841	10.0%	\$197
Consolidated Edison	\$8,230	\$102	1.2%	\$97
Archer Daniels Midland	\$6,819	\$637	9.3%	\$241
Westlake Chemical	\$6,427	\$877	13.6%	\$152
American Water Works	\$5,056	\$158	3.1%	\$82
Penske Automotive Group	\$3,919	\$249	6.4%	\$73
Whirlpool	\$3,578	\$249	7.0%	\$163
Taylor Morrison Home	\$3,076	\$332	10.8%	\$73
Owens Corning	\$3,030	\$314	10.4%	\$100
Textron	\$2,863	\$267	9.3%	\$145
Dow	\$2,602	\$249	9.6%	\$187
Reinsurance Group of America	\$2,302	\$189	8.2%	\$116
MDU Resources	\$2,059	\$114	5.5%	\$65
PPG Industries	\$2,056	\$267	13.0%	\$125
Ecolab	\$2,045	\$199	9.7%	\$156
TOTAL	\$380,289	\$20,011	5.3%	\$5,605

Source: [Americans for Tax Fairness](#)