

# THE BIG ESCAPE

How the Ultra-Wealthy  
Avoid Paying Taxes  
and How to Fix It



Prepared by the Office of Senator Elizabeth Warren  
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## Executive Summary

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Massive corporations and America's wealthiest households are using extraordinary loopholes and increasingly complex schemes to avoid paying their fair share in taxes. In 2020, T-Mobile—one of the most profitable companies in the United States—reported \$3.4 billion in profits. But the company paid nothing in federal income taxes, instead receiving a \$17 million refund from the government. In 2018, Warren Buffett had a net worth of \$84 billion. The effective tax rate on his mountain of wealth? 0.006%—orders of magnitude lower than the tax rates paid by most middle-class families.

With corporate profits soaring and the middle class shrinking, Americans are fed up with the status quo. Broad majorities of the American public support reforms to the tax code so that America's biggest corporations and richest households pay their fair share. Now, as the U.S. Congress considers a historic infrastructure package via reconciliation in the House and Senate, legislators have a once-in-a-generation opportunity to unrig a tax code that works well for billionaires but leaves the middle class behind.

This report examines the effects of two proposals from Senator Elizabeth Warren to fix our broken tax system: the Ultra-Millionaire Tax and the Real Corporate Profits Tax. It reviews publicly available information about the wealth and income of some of the richest people and corporations in the United States and asks two questions. First, how much do they pay in federal income tax now? Second, how much would they pay under Senator Warren's plans? It concludes that the Ultra-Millionaire Tax and Real Corporate Profits Tax would reverse widening wealth inequality in America, raising \$3.7 trillion from the wealthiest households and companies for investments in American families. A third proposal from Senator

Warren would give the Internal Revenue Service (IRS) the tools it needs to stop wealthy taxpayers from hiding their income and to help recover taxes.

How would the Ultra-Millionaire Tax and Real Corporate Profits Tax affect some of the richest Americans and wealthiest corporations?

- Warren Buffett paid an effective tax rate of 0.006% on his \$84 billion fortune in 2018. But under Senator Warren's Ultra-Millionaire Tax, he would have paid \$2.51 billion in federal taxes.
- Similarly, Jeff Bezos, the Executive Chairman of Amazon and one of the richest individuals in the world, paid an effective tax rate of 0.04% on his \$112 billion fortune in 2018; under Senator Warren's Ultra-Millionaire Tax, he would have paid \$3.39 billion in taxes.
- In 2020, T-Mobile grossed \$3.41 billion in profits and received a \$17 million refund from the federal government. Under Senator Warren's Real Corporate Profits Tax, the company would have paid \$215 million in federal taxes.
- General Motors—one of the world's largest automakers—grossed \$6.61 billion in profits in 2020 and paid a paltry \$84 million in taxes, an effective tax rate of 1.27%. Under Senator Warren's Real Corporate Profits Tax, the company would have paid \$512 million in taxes.

This report analyzes the effects of Senator Warren's legislation on nearly two dozen of the wealthiest Americans and richest corporations. It finds that simply by making these individuals and corporations pay their fair share, Congress could fund programs for healthcare, housing, childcare, and more in the infrastructure package presently being negotiated by House and Senate leaders.

## Background

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America's economy is rigged for the rich. For decades, the middle class has been hurting, a trend accelerated by the devastating effects of the pandemic. Middle-class Americans now earn 43% of the country's total income<sup>1</sup>—a steep drop from 62% in 1970<sup>2</sup>—despite working harder than ever.<sup>3</sup> But the story has been completely different at the top. Corporate profits have hit record highs in recent months.<sup>4</sup> Billionaires got *richer* during the pandemic, gaining \$1.8 trillion in wealth and counting.<sup>5</sup> And the richest 10% of Americans now own 70% of the country's wealth.<sup>6</sup>

Our tax system is a big part of the problem. Faced with the reality of growing inequality, President Donald Trump and a Republican Congress made matters worse in 2017. They passed a massive tax cut for big corporations and wealthy investors, leaving middle-class families even further behind.<sup>7</sup> After decades of growing inequality, Americans have had enough: they want multi-millionaires and big businesses to finally pay their fair share in taxes.<sup>8</sup>

Senator Elizabeth Warren has long fought for a better and fairer tax system. For years, she has championed a wealth tax for some of the richest Americans,<sup>9</sup> a tax on the profits reported to shareholders by the country's most profitable companies,<sup>10</sup> and expanding IRS enforcement to stop wealthy tax cheats and close the tax gap.<sup>11</sup> This year, she formally introduced all three proposals in the 117th Congress.

- The Ultra-Millionaire Tax (S. 510) would create a 2% annual tax for wealth between \$50 million and \$1 billion and a 3% annual tax for wealth above \$1 billion.<sup>12</sup> The legislation—introduced by Senator Warren, Representative Pramila Jayapal, and Representative Brendan Boyle—is co-sponsored by Senators Kirsten Gillibrand, Mazie Hirono, Ed Markey, Jeff Merkley, Alex Padilla, Bernie Sanders, Brian Schatz, and Sheldon Whitehouse, in addition to 29 members of the U.S. House of Representatives. The Ultra-Millionaire Tax would apply to the wealthiest 100,000 households in America and generate at least \$3 trillion in revenue over the next decade—all without raising taxes on 99.95% of American households.<sup>13</sup>
- The Real Corporate Profits Tax (S. 2680) would create a 7% tax on corporate profits above \$100 million.<sup>14</sup> It would close loopholes and require companies to pay taxes on the same profits that they report to investors, preventing companies from reporting massive profits to up their valuations and pulling a bait and switch come tax time. This is an issue that President Biden understands and has prioritized; in fact, he campaigned on a book income tax and included one in his American Jobs Plan.<sup>15</sup> The Real Corporate Profits Tax Act of 2021—introduced by Senator Warren, Senator Angus King, and Representative Don Beyer—is co-sponsored by Senators Markey, Merkley, and Whitehouse. It would apply to companies that report over \$100 million in book income (approximately 1,300 public companies) and would generate nearly \$700 billion in revenue over the next decade.<sup>16</sup>

Because Senator Warren recognizes that some companies are gaming the system while some are already paying their fair share, the Real Corporate Profits Tax seeks to level the playing field: it includes a credit for one-third of federal income taxes paid.<sup>17</sup> If a company already pays a 21% effective tax rate (i.e., the corporate tax rate), it owes nothing further. If a company is gaming the system and paying nothing in taxes, it owes the full 7% tax. And if a company is paying something in between, the Real Corporate Profits Tax rate falls in

between as well. For instance, equipment manufacturer Deere paid \$400 million in federal taxes in 2020, a 19.71% tax rate on its \$2.03 billion in profits.<sup>18</sup> Thus, Deere would have paid only \$3 million in Real Corporate Profits Tax, receiving a \$132 million credit for the taxes paid.

- The Restoring the IRS Act (S. 1788) would permanently fund the IRS with \$31.5 billion in annual appropriations and give the agency the tools it needs to stop wealthy taxpayers from hiding their income from the government.<sup>19</sup> The legislation was introduced by Senator Warren and is co-sponsored by Senator Padilla. By more than doubling the IRS's budget from 2010—its highest funding year prior to years of Republican cuts—the legislation would allow the agency to crack down on high-income, high-wealth tax filers and corporations, with a special focus on combatting the racial tax gap.<sup>20</sup> It would generate over \$1 trillion in revenue over the next decade.<sup>21</sup>

Under Senator Warren's legislation, as well as President Biden's proposal,<sup>22</sup> new information reporting by banks and other financial institutions would help the IRS sniff out the hidden cash of the ultra-rich. Currently, the IRS verifies the tax filings of most Americans by comparing filings with numbers reported by their employers. But the wealthy operate on an honor system since the IRS receives no third-party confirmation of their atypical income. This honor system, unsurprisingly, does not work. When income is subject to little or no third-party reporting, taxpayers only disclose and pay taxes on 45% of that income.<sup>23</sup>

Restoring the IRS is crucial to all other tax reforms. We can enact any number of proposals to make the wealthy and giant corporations pay their fair share, but their effects will be limited without a strong IRS that can catch well-resourced cheaters. For example, because of the IRS' lack of resources, companies crossing the line from questionable tax avoidance to illegal tax avoidance after the 2017 Republican tax cuts could be confident the IRS would not catch them.<sup>24</sup> Similarly, funding cuts have prevented the IRS from investigating potentially illegal undervaluation of shares, exacerbating a system already riddled with loopholes for wealthy individuals to avoid taxes on their investments.<sup>25</sup> We need to pass reforms like the Ultra-Millionaire Tax and Real Corporate Profits Tax—and empower the IRS to enforce them.

Congress has a historic opportunity to enact all three of Senator Warren's proposals into law. The House and Senate are now considering vital legislation to invest \$3.5 trillion in American workers and families in the form of childcare, Medicare and Medicaid, and climate change programs. The case for including Senator Warren's tax proposals is simple: her three plans would raise trillions of dollars to pay for critical investments while fixing a tax system riddled with loopholes and rigged for the rich.

## Methodology

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This report analyzes the effect of the Ultra-Millionaire Tax and Real Corporate Profits Tax on five of the wealthiest individuals and fifteen of the most profitable corporations in the United States.

For individuals, staff used the Forbes World's Billionaires List to determine net worth in 2018<sup>26</sup> and public reporting from ProPublica to determine federal income taxes paid in 2018.<sup>27</sup> Dividing federal income taxes paid by net worth produced effective tax rates. Staff calculated the Ultra-Millionaire Tax by applying the tax rates proposed in Senator Warren's legislation, and their calculations were verified by independent experts.<sup>28</sup>

For corporations, staff used data from the Institute on Taxation and Economic Policy to determine corporate profits in 2020 and federal income taxes paid in 2020.<sup>29</sup> Dividing federal income taxes paid by annual corporate profits produced effective tax rates. Staff calculated the Real Corporate Profits Tax by applying the tax rates proposed in Senator Warren's legislation, and their calculations were verified by independent experts.<sup>30</sup>

## Findings

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### A. The Impact of Senator Warren’s Tax Proposals on Ultra-Wealthy Americans

Our current tax system does little to tax America’s wealthiest individuals. Income taxes target income. But “[t]he richest of the rich earn little from actual paychecks.”<sup>31</sup> For example, Jeff Bezos earned \$81,840 in salary in 2020,<sup>32</sup> a barely noticeable figure when compared to his \$179 billion in wealth.<sup>33</sup> That’s exactly why the Ultra-Millionaire Tax targets wealth. The following individuals are a sample of the wealthiest people in America who are barely taxed today but would have to pay their fair share under Senator Warren’s Ultra-Millionaire Tax. Applying the tax to these five individuals in 2018 alone would have raised over \$9 billion.

#### Warren Buffett

Warren Buffett is the Chairman and CEO of Berkshire Hathaway. In 2018, he had a net worth of \$84 billion and paid \$5.36 million in federal income taxes. The effective tax rate on his massive wealth was 0.006%. Under Senator Warren’s Ultra-Millionaire Tax, he would have paid \$2.51 billion in federal taxes.

- **Name:** Warren Buffett
- **Net Worth:** \$84 billion
- **Federal Income Tax Paid:** \$5.36 million
- **Effective Tax Rate:** 0.006%
- **Taxes with Ultra-Millionaire Tax:** \$2.51 billion

#### Jeff Bezos

Jeff Bezos is the Executive Chairman of Amazon and one of the richest individuals in the world. In 2018, he had a net worth of \$112 billion and paid \$43.5 million in federal income taxes. The effective tax rate on his massive wealth was 0.04%. Under Senator Warren’s Ultra-Millionaire Tax, he would have paid \$3.39 billion in federal taxes.

- **Name:** Jeff Bezos
- **Net Worth:** \$112 billion
- **Federal Income Tax Paid:** \$43.5 million
- **Effective Tax Rate:** 0.04%
- **Taxes with Ultra-Millionaire Tax:** \$3.39 billion

### Michael Bloomberg

Michael Bloomberg is the majority owner and co-founder of Bloomberg LP. In 2018, he had a net worth of \$50 billion and paid \$71.9 million in federal income taxes. The effective tax rate on his massive wealth was 0.14%. Under Senator Warren's Ultra-Millionaire Tax, he would have paid \$1.56 billion in federal taxes.

- **Name:** Michael Bloomberg
- **Net Worth:** \$50 billion
- **Federal Income Tax Paid:** \$71.9 million
- **Effective Tax Rate:** 0.14%
- **Taxes with Ultra-Millionaire Tax:** \$1.56 billion

### Elon Musk

Elon Musk is the CEO of Tesla and SpaceX. In 2018, he had a net worth of \$19.9 billion and paid \$8,410 in federal income taxes. The effective tax rate on his massive wealth was 0.00004%. Under Senator Warren's Ultra-Millionaire Tax, he would have paid \$586 million in federal taxes.

- **Name:** Elon Musk
- **Net Worth:** \$19.9 billion
- **Federal Income Tax Paid:** \$8,410
- **Effective Tax Rate:** 0.00004%
- **Taxes with Ultra-Millionaire Tax:** \$586 million

### Steve Ballmer

Steve Ballmer is the owner of the Los Angeles Clippers and the former CEO of Microsoft. In 2018, he had a net worth of \$38.4 billion and paid \$78 million in federal income taxes. The effective tax rate on his massive wealth was 0.2%. Under Senator Warren's Ultra-Millionaire Tax, he would have paid \$1.22 billion in federal taxes.

- **Name:** Steve Ballmer
- **Net Worth:** \$38.4 billion
- **Federal Income Tax Paid:** \$78 million
- **Effective Tax Rate:** 0.2%
- **Taxes with Ultra-Millionaire Tax:** \$1.22 billion

### Tax Fairness for Ultra-Wealthy Americans: Comparing Taxes Paid and Taxes with the Ultra-Millionaire Tax



## **B. The Impact of Senator Warren’s Tax Proposals on America’s Wealthy Corporations**

Many of the richest companies in the United States pay little to nothing in federal income taxes for years at a time. According to the Institute on Taxation and Economic Policy, “[t]hirty-nine profitable corporations in the S&P 500 or Fortune 500 paid no federal income tax from 2018 through 2020,” despite reporting a combined \$122 billion in profits.<sup>34</sup> Under Senator Warren’s Real Corporate Profits Tax, these companies alone would have paid \$7.37 billion over this three-year period.<sup>35</sup> Of course, many profitable corporate giants pay some federal taxes. But even when they do, their rates often fall well below the 21% statutory corporate tax rate. The following companies are only some of the corporations that pay far too little in taxes each year but would have to pay their fair share under Senator Warren’s Real Corporate Profits Tax.

### Amazon

Amazon is one of the most profitable companies in America. In 2020, it grossed \$19.59 billion in profits and paid \$1.84 billion in taxes. Its effective tax rate was 9.37%. Under Senator Warren’s Real Corporate Profits Tax, the company would have paid \$2.59 billion in federal taxes, providing \$759 million more in revenue for key priorities for American families.

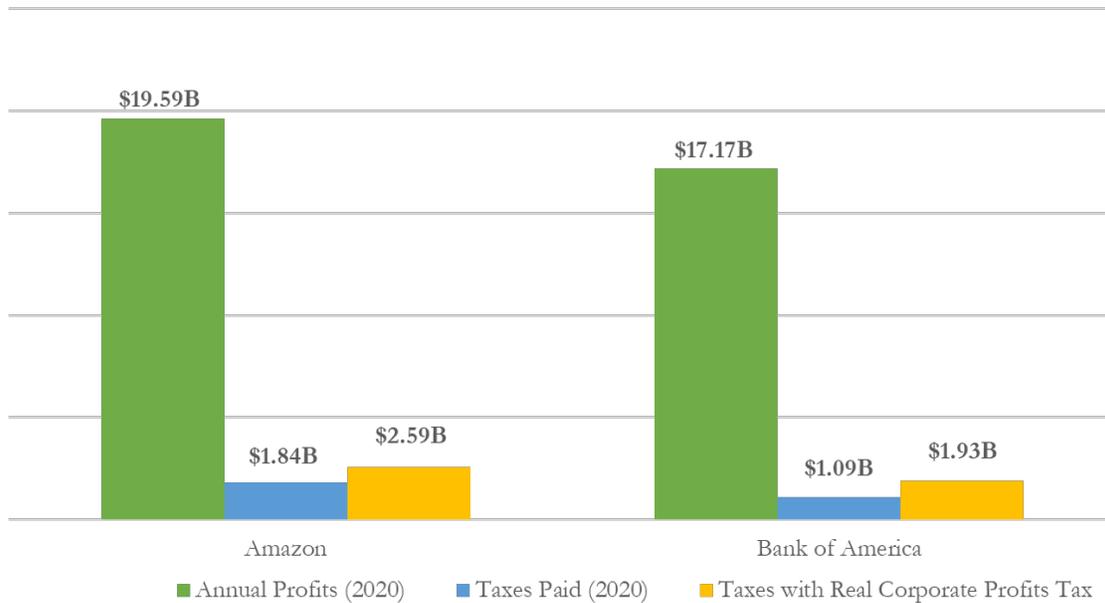
- **Name:** Amazon
- **Annual Corporate Profits:** \$19.59 billion
- **Federal Income Tax Paid:** \$1.84 billion
- **Effective Tax Rate:** 9.37%
- **Taxes with Real Corporate Profits Tax:** \$2.59 billion

### Bank of America

Bank of America grossed \$17.17 billion in profits and paid \$1.09 billion in taxes in 2020. Its effective tax rate was 6.36%. Under Senator Warren’s Real Corporate Profits Tax, the bank would have paid \$1.93 billion in federal taxes, providing \$835 million more in revenue for key priorities for American families.

- **Name:** Bank of America
- **Annual Corporate Profits:** \$17.17 billion
- **Federal Income Tax Paid:** \$1.09 billion
- **Effective Tax Rate:** 6.36%
- **Taxes with Real Corporate Profits Tax:** \$1.93 billion

**Tax Fairness for America’s Wealthy Corporations:  
Comparing Taxes Paid and Taxes with Real Corporate Profits  
Tax**



Charter Communications

Charter Communications, the telecommunications and mass media company, grossed \$3.68 billion in profits and received a \$7 million tax refund in 2020. Under Senator Warren’s Real Corporate Profits Tax, the telecom giant would have paid \$244 million in federal taxes, providing \$251 million more in revenue for key priorities for American families.

- **Name:** Charter Communications
- **Annual Corporate Profits:** \$3.68 billion
- **Federal Income Tax Paid:** \$7 million refund
- **Effective Tax Rate:** -0.19%
- **Taxes with Real Corporate Profits Tax:** \$244 million

Domino’s Pizza

Domino’s Pizza grossed \$531 million in profits and paid \$20 million in taxes in 2020. Its effective tax rate was 3.77%. Under Senator Warren’s Real Corporate Profits Tax, the company would have paid \$44 million in federal taxes, providing \$24 million more in revenue for key priorities for American families.

- **Name:** Domino’s Pizza
- **Annual Corporate Profits:** \$531 million
- **Federal Income Tax Paid:** \$20 million
- **Effective Tax Rate:** 3.77%
- **Taxes with Real Corporate Profits Tax:** \$44 million

### FedEx

FedEx grossed \$4.72 billion in profits and paid \$199 million in taxes in 2020. Its effective tax rate was 4.22%. Under Senator Warren's Real Corporate Profits Tax, FedEx would have paid \$456 million in federal taxes, providing \$257 million more in revenue for key priorities for American families.

- **Name:** FedEx
- **Annual Corporate Profits:** \$4.72 billion
- **Federal Income Tax Paid:** \$199 million
- **Effective Tax Rate:** 4.22%
- **Taxes with Real Corporate Profits Tax:** \$456 million

### General Motors

Automotive giant General Motors grossed \$6.61 billion in profits and paid \$84 million in taxes in 2020. Its effective tax rate was 1.27%. Under Senator Warren's Real Corporate Profits Tax, GM have paid \$512 million in federal taxes, providing \$428 million more in revenue for key priorities for American families.

- **Name:** General Motors
- **Annual Corporate Profits:** \$6.61 billion
- **Federal Income Tax Paid:** \$84 million
- **Effective Tax Rate:** 1.27%
- **Taxes with Real Corporate Profits Tax:** \$512 million

### Netflix

Netflix grossed \$2.72 billion in profits and paid \$24 million in taxes in 2020. Its effective tax rate was 0.88%. Under Senator Warren's Real Corporate Profits Tax, the company would have paid \$200 million in federal taxes, providing \$176 million more in revenue for key priorities for American families.

- **Name:** Netflix
- **Annual Corporate Profits:** \$2.72 billion
- **Federal Income Tax Paid:** \$24 million
- **Effective Tax Rate:** 0.88%
- **Taxes with Real Corporate Profits Tax:** \$200 million

### Nike

Nike grossed \$5.59 billion in profits and paid \$328 million in taxes in 2020. Its effective tax rate was 5.87%. Under Senator Warren's Real Corporate Profits Tax, Nike would have paid \$604 million in federal taxes, providing \$276 million more in revenue for key priorities for American families.

- **Name:** Nike
- **Annual Corporate Profits:** \$5.59 billion
- **Federal Income Tax Paid:** \$328 million
- **Effective Tax Rate:** 5.87%
- **Taxes with Real Corporate Profits Tax:** \$604 million

### Northrop Grumman

Northrop Grumman, the aerospace and defense technology company, grossed \$3.72 billion in profits and paid \$246 million in taxes in 2020. Its effective tax rate was 6.62%. Under Senator Warren's Real Corporate Profits Tax, the massive military contractor would have paid \$418 million in federal taxes, providing \$172 million more in revenue for key priorities for American families.

- **Name:** Northrop Grumman
- **Annual Corporate Profits:** \$3.72 billion
- **Federal Income Tax Paid:** \$246 million
- **Effective Tax Rate:** 6.62%
- **Taxes with Real Corporate Profits Tax:** \$418 million

### Salesforce

Salesforce, the cloud-based software company, grossed \$2.63 billion in profits and received a \$12 million tax refund in 2020. Under Senator Warren's Real Corporate Profits Tax, Salesforce would have paid \$165 million in federal taxes, providing \$177 million more in revenue for key priorities for American families.

- **Name:** Salesforce
- **Annual Corporate Profits:** \$2.63 billion
- **Federal Income Tax Paid:** \$12 million refund
- **Effective Tax Rate:** -0.46%
- **Taxes with Real Corporate Profits Tax:** \$165 million

### Southern

Gas and electric utility company Southern grossed \$3.4 billion in profits and paid \$199 million in taxes in 2020. Its effective tax rate was 5.86%. Under Senator Warren's Real Corporate Profits Tax, the company would have paid \$364 million in federal taxes, providing \$165 million more in revenue for key priorities for American families.

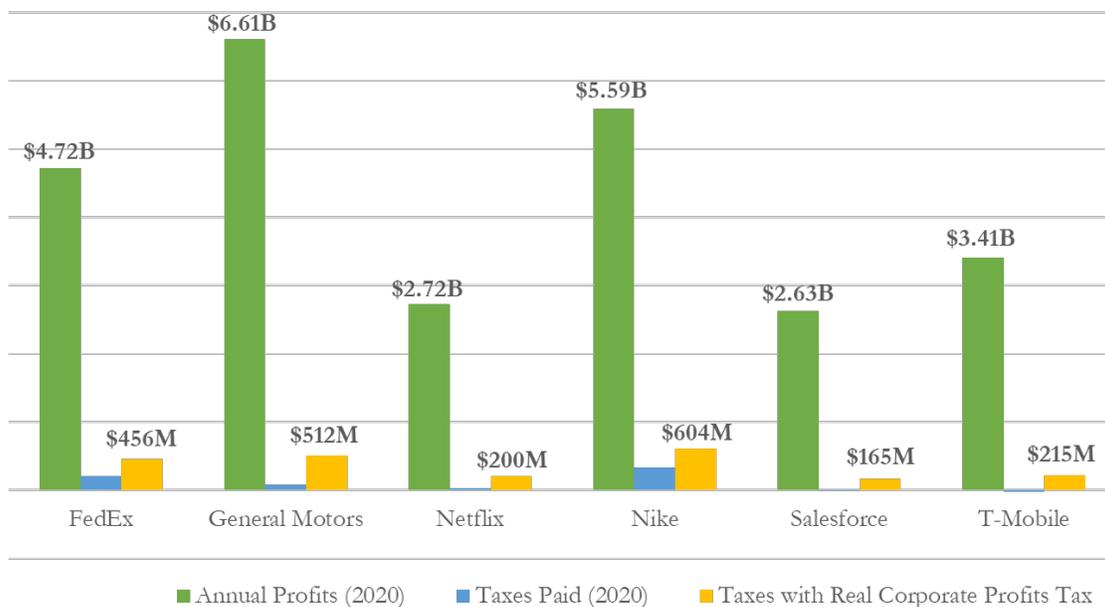
- **Name:** Southern
- **Annual Corporate Profits:** \$3.4 billion
- **Federal Income Tax Paid:** \$199 million
- **Effective Tax Rate:** 5.86%
- **Taxes with Real Corporate Profits Tax:** \$364 million

### T-Mobile

T-Mobile grossed \$3.41 billion in profits and received a \$17 million tax refund in 2020. Under Senator Warren's Real Corporate Profits Tax, the company would have paid \$215 million in federal taxes, providing \$232 million more in revenue for key priorities for American families.

- **Name:** T-Mobile
- **Annual Corporate Profits:** \$3.41 billion
- **Federal Income Tax Paid:** \$17 million refund
- **Effective Tax Rate:** -0.5%
- **Taxes with Real Corporate Profits Tax:** \$215 million

**Tax Fairness for America's Wealthy Corporations:  
Comparing Taxes Paid and Taxes with Real Corporate Profits  
Tax**



### Walt Disney

Walt Disney grossed \$4.56 billion in profits and paid \$95 million in taxes in 2020. Its effective tax rate was 2.08%. Under Senator Warren's Real Corporate Profits Tax, Disney would have paid \$376 million in federal taxes, providing \$281 million more in revenue for key priorities for American families.

- **Name:** Walt Disney
- **Annual Corporate Profits:** \$4.56 billion
- **Federal Income Tax Paid:** \$95 million
- **Effective Tax Rate:** 2.08%
- **Taxes with Real Corporate Profits Tax:** \$376 million

### Whirlpool

Whirlpool, the home-appliance company, grossed \$986 million in profits and paid \$90 million in taxes in 2020. Its effective tax rate was 9.13%. Under Senator Warren's Real Corporate Profits Tax, Whirlpool would have paid \$122 million in federal taxes, providing \$32 million more in revenue for key priorities for American families.

- **Name:** Whirlpool
- **Annual Corporate Profits:** \$986 million
- **Federal Income Tax Paid:** \$90 million
- **Effective Tax Rate:** 9.13%
- **Taxes with Real Corporate Profits Tax:** \$122 million

### Xerox

Xerox grossed \$345 million in profits and paid \$3 million in taxes in 2020. Its effective tax rate was 0.87%. Under Senator Warren's Real Corporate Profits Tax, the company would have paid \$19 million in federal taxes, providing \$16 million more in revenue for key priorities for American families.

- **Name:** Xerox
- **Annual Corporate Profits:** \$345 million
- **Federal Income Tax Paid:** \$3 million
- **Effective Tax Rate:** 0.87%
- **Taxes with Real Corporate Profits Tax:** \$19 million

## Conclusion

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All too often, billionaires and gigantic corporations pay next to nothing in taxes. Senator Warren's Ultra-Millionaire Tax and Real Corporate Profits Tax would cut through loopholes and tax-avoidance schemes, ensuring that the richest Americans pay their fair share and producing trillions in revenue for sorely needed investments in our infrastructure and economy. American families deserve a government that works for them. Congress now has the opportunity build a fairer and better tax system for us all and should act quickly to do so.

## Endnotes

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