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“Tax Breaks and Inequality”

**Report: Development Subsidies Fuel Economic Inequality
by Enriching Billionaires and Low-Wage Employers**

Washington, DC, December 16, 2014—Taxpayer subsidies awarded to corporations by state and local governments, supposedly to create good jobs and growth, are instead fueling economic inequality by going to companies that are owned in whole or part by billionaires, and to low-wage employers.

Indeed, about one-third of the individuals in the Forbes 400 are linked to 99 taxpayer-subsidized companies, including every one of the 11 wealthiest individuals and all but two of the richest 25. Subsidies have also gone to 87 companies that pay low wages. More than \$21 billion in taxpayer dollars have been awarded to these two sets of firms. Seven retailers appear on both lists.

Those are the major findings of *Tax Breaks and Inequality*, a report published today by Good Jobs First, a non-profit resource center on economic development based in Washington, DC. The report is available at www.goodjobsfirst.org and was funded by the Nathan Cummings Foundation.

“Inequality has many causes, and now we can say development subsidies are among them,” said Good Jobs First Executive Director Greg LeRoy. “Subsidies are being awarded to large, profitable companies controlled by billionaires such as Warren Buffet’s Berkshire Hathaway while we have too many communities that really need the help.”

Tax Breaks and Inequality is a “mash-up” of Good Jobs First’s Subsidy Tracker database with two lists of companies: firms linked to members of the Forbes 400 list (the wealthiest Americans) and major low-wage employers.

“This year, Forbes highlights those said to have built fortunes entirely on their own rather than through inheritance, yet our research shows that many of the billionaires got assistance from taxpayers,” said Philip Mattera, Good Jobs First Research Director and lead author of the report.

The members of the Forbes 400 control or are otherwise closely linked to 99 large corporations that have been awarded more than \$19 billion in cumulative subsidies, as documented in Subsidy Tracker. Five of the 99 firms have been awarded more than \$1 billion in subsidies, including Intel (\$5.9 billion), Nike (\$2 billion), Cerner (\$1.7 billion), Tesla Motors (\$1.3 billion) and Berkshire Hathaway (\$1.2 billion). The average subsidy total for the group, which is limited to those firms receiving \$1 million or more, is \$196 million.

Among the individuals on the Forbes 400 linked to one or more of the 99 highly subsidized companies are every one of the 11 wealthiest individuals and all but two of the top 25. These include Bill Gates, whose \$81 billion fortune comes mainly from his holdings in Microsoft, which has been awarded \$203 million in subsidies; Warren Buffett, whose \$67 billion net worth derives from Berkshire Hathaway, which has been awarded \$1.2 billion in subsidies; Larry Ellison, whose \$50 billion net worth comes from Oracle, which has been awarded \$18 million in subsidies; the Koch Brothers, each worth \$42 billion from Koch Industries, whose subsidies total \$154 million; and four members of the Walton Family, each worth more than \$35 billion from Wal-Mart Stores, which has been awarded more than \$161 million in subsidies.

Inequality is also caused by the long-term stagnation and even the decline of wages in real terms for many low- and middle-income workers. Here, one would hope that the billions spent on economic development would help raise living standards for typical families. But instead *Tax Breaks and Inequality* finds dozens of large low-wage companies being subsidized.

Eighty-seven such companies have each been awarded more than \$1 million in state and local subsidies, for a total of \$3.3 billion. Retailers dominate the list, with 60 firms awarded more than \$2.6 billion in subsidies. Twelve firms in the hospitality sector (restaurants, hotels and foodservice companies) account for more than \$245 million in subsidies. The low-wage companies with the most in subsidies are: Sears (\$536 million), Amazon.com (\$419 million), Cabela's (\$247 million), Convergys (\$202 million), Starwood Hotels & Resorts (\$166 million) and Wal-Mart Stores (\$161 million). Eight companies, seven of them retailers, are both linked to members of the Forbes 400 and pay low wages: Sears, Amazon.com, Wal-Mart, Best Buy, Bass Pro, Meijer, Menard, and Allegis Group.

“Subsidies are certainly not the main cause of growing inequality,” LeRoy points out in a policy chapter. “But subsidizing billionaires and low-wage companies is a strong facial connection that our Subsidy Tracker now enables us to make.”