CLOSING LOOPHOLES
SUBSIDY ACCOUNTABILITY
AND
PUBLIC PENSION FUNDING

TRAINING FOR PENSION ADVOCATES

WHY SHOULD PENSION ADVOCATES CARE ABOUT REVENUES AND TAX POLICY?

- All budgets are based on current revenue estimates and tax policy decisions
  - Local Employee Boards—local pension budgets and salaries
  - Legislatures—state budgets for pension contributions and state minimum salaries
  - Governors—proposing and passing state budgets that make pensions a priority
  - Pension advocates should demand to be involved in revenue and tax policy decisions
  - Pension advocates can be partners for additional investment in pensions
  - Pension advocates can be an ally in supporting tough tax policy changes that create new funding streams for pensions.

INSIST ON PARTICIPATING IN THE REVENUE AND TAX POLICY STAGE OF BUDGETING

- Threats to stable and adequate funding streams for pensions
  - Tax incentive legislation
  - Subsidies and Economic Development initiatives
  - Tax structures overly reliant on volatile or unpredictable taxes (i.e. Sales Tax, Income Tax)
  - Lack of rainy day funds or savings accounts to weather economic downturns

PENSION ADVOCATES SHOULD BRING ACCOUNTABILITY TO ECONOMIC DEVELOPMENT

- Ask policy makers to do some simple evaluation of every subsidy or economic development deal before it is approved.
  - Is the ”deal” good for the taxpayer?
  - Is the “Return on Investment” for the subsidy larger than the return on investment in pension funding or education?
  - What taxes are currently being paid by this economic sector? Do they compare favorably with surrounding states.
  - Is this subsidy necessary to win or keep the business?
  - And finally, if so, how can we pay for it by eliminating another subsidy or loophole that is not effective.

INVESTMENT IN PUBLIC PENSIONS IS AN ECONOMIC DEVELOPMENT INITIATIVE

- When we cutback our investment in public pensions, everyone suffers.
- Pension benefits and the economy go hand in hand. Benefit payments are an economic driver.
- Cutbacks in pensions decrease economic opportunity for all.
- Finally, pension cuts increases social costs – higher poverty, medical costs, crime and social disorganization.

ECONOMICS OF PUBLIC PENSIONS

- In 2016, the spending of pension benefits generated $1.2 trillion in total economic output, supporting some 7.5 million jobs across the U.S. This spending resulted in $202.6 billion in federal, state, and local tax revenue.
- At the state level, public pensions have the same strong economic impact they do on the national level. For example, California saw 443,966 jobs supported by public pension spending and more than $73 billion in economic output attributable to pensions.
- Texas had the largest pension expenditure multiplier with 1.83. This means that for every dollar paid out in pension benefits in Texas, it supports $1.83 in economic activity.
- * National Institute on Retirement Security "Pensionomics," Ilana Boivie, January 2019.

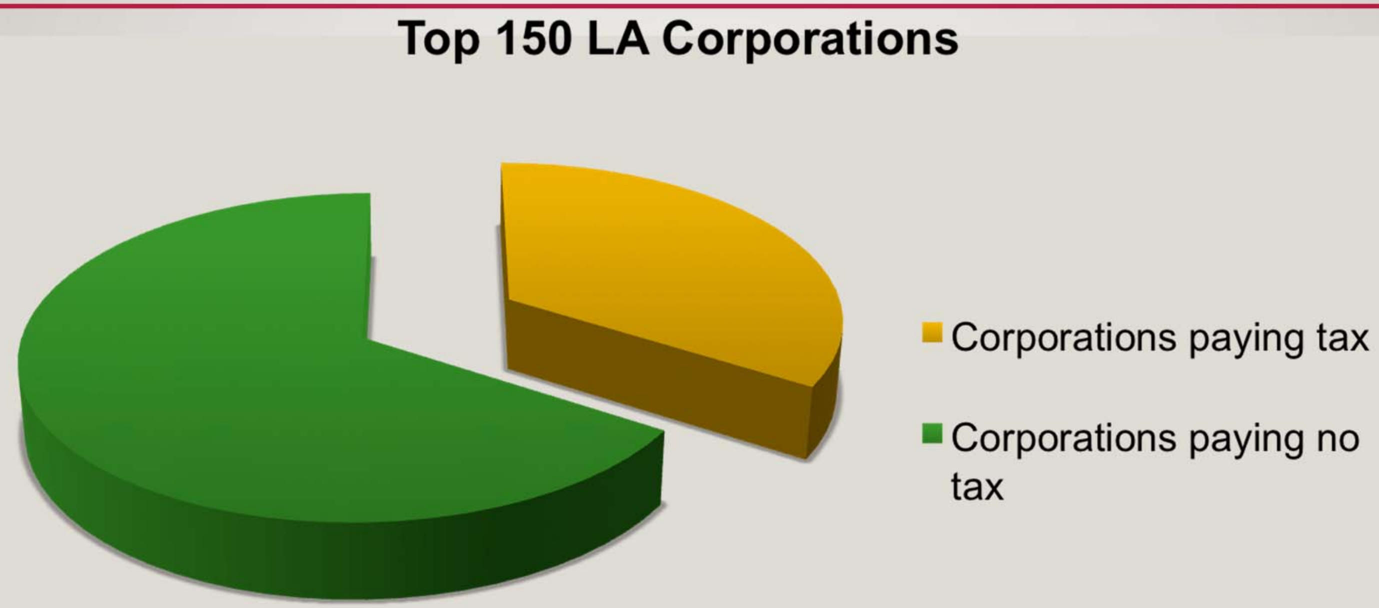
WHY INVEST IN PUBLIC PENSIONS?

- It can be a political winner and it grows the economy
- Money invested in public pensions stays local and further drives the economy
- The economy grows by $1,088 with the investment of each $1,000 of pension fund assets.
- Pension Funds are revenue generators. In 2016, pension funds generated approximately $277.6 billion in state and local revenues. The taxpayer contribution to pension plans in the same year was $140.3 billion.
- *See National Conference on Pubic Employee Retirement Systems, "Unintended Consequences: How Scaling Back Public Pensions Puts Government Revenues at Risk," May 2018.

ASK YOUR STATE FOR STATISTICAL INFO ON THE CORPORATE TAX

- Of the companies that reported over $50 million in total income to the IRS, how many companies paid zero corporate income tax for 2013, 2014, 2015 and 2016? Over $100 million? Over $250 million? Over a billion?
- Of this state's 150 largest for-profit employers how many paid zero corporate income tax in 2013, 2014, 2015 and 2016

Of the Largest 150 Corporations by payroll in Louisiana only 51 paid any tax at all. There were 99 of those same 150 companies that paid zero tax.



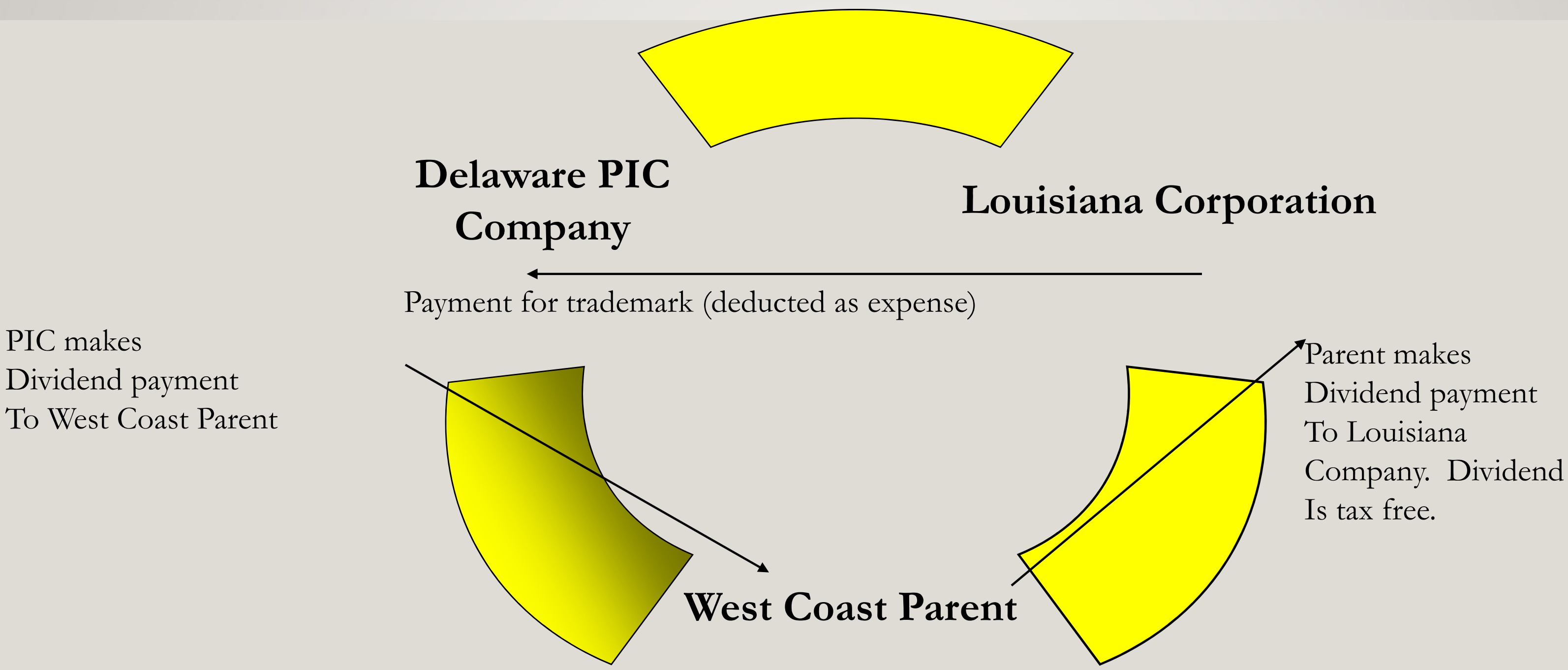
IS BIG BUSINESS PAYING A FAIR SHARE?

- In 2010, 2230 companies doing business in Louisiana made more than **$815 billion** in Federal Taxable income and **did not pay one cent** in Louisiana corporate income tax.
- Those companies made **$8.4 billion** in Louisiana income. If that income was taxed at 6% it would produce almost **$500 million** in additional revenue.
- In 2010, of the 109,970 corporations in Louisiana, 91,693, or **83%** paid no corporate income tax.

IS BIG BUSINESS PAYING A FAIR SHARE?

- In 2013, 2855 companies doing business in Alabama made more than **$583 billion** in Federal Taxable income and **did not pay one cent** in Alabama corporate income tax.
- If those companies had made just 1% of that income in Alabama or $5.83 billion, and that income was taxed at 6.5% it would produce almost **$379 million** in additional revenue.
- In 2013, of the 59,404 corporations in Alabama, 23,925, or **67%** paid no corporate income tax.

THE ADD-BACK GIMMICK: SHIFTING LOUISIANA INCOME TO NO-TAX STATES



THERE ARE CORPORATIONS PAYING NO STATE INCOME TAX TO ANY STATE

- **Dupont**– no tax to any state 2008-10
- **Wells Fargo**– no tax to any state in 2009
- **Intel**—no tax to any state 2008 and 2009
- **Boeing** –no tax to any state in 2010
- **Comcast**—no tax to any state in 2009
- **GE**—no tax to any state in 2010
- **American Express**—no tax to any state in 2008
- **Southwest Air**—no tax to any state in 2009
- *ITEP ”Myth of the 35% Corporate Tax Rate”

WHAT IS THE ASK IN YOUR STATE OR COMMUNITY?

- Let’s talk funding for stable pensions
- Let’s talk funding for salary increases and benefits
- Let’s talk funding for responsible and reliable COLA’s
- Let’s talk funding for pensions to recruit and retain quality professionals
- Let’s talk funding to keep our promises to our seniors
- Let’s talk funding to bring dignity to retirement