

Corporations Reap Billions in Tax Breaks Under 'Bonus Depreciation'

Authors:

Steve Wamhoff, Federal Policy Director

Matthew Gardner, Senior Fellow

Spandan Marasini, Associate Data Analyst

Key Findings

- ➔ Tax breaks for “accelerated depreciation,” which were expanded starting in 2018 under the Trump tax law, have saved nearly \$67 billion for 25 of the corporations that benefited most.
- ➔ Among the corporations that have benefited the most are household names like Google, Facebook, Intel, UPS, Target, PepsiCo, and the railroads Union Pacific and Norfolk Southern.
- ➔ As a result of this and other tax breaks, these companies together paid an effective federal corporate tax rate of just 12.2 percent since 2018 - far below the statutory rate of 21 percent.
- ➔ Some corporations have used accelerated depreciation to drive their effective tax rates down to single digits. These include Verizon, Amazon, Walt Disney, Con Edison, General Motors, Dish Network, and others.
- ➔ This policy is set to wind down starting this year, but it would be extended under legislation that passed through the House Ways and Means Committee earlier this month.

Introduction

Since the Tax Cuts and Jobs Act (TCJA) expanded tax breaks for “accelerated depreciation” starting in 2018, it has reduced taxes by nearly \$67 billion for the 25 profitable corporations that benefited the most, based on information disclosed by the companies themselves.

This expanded version of accelerated depreciation, known as “bonus depreciation,” is winding down as scheduled starting this year, but it would be extended under legislation that recently passed through the House Ways and Means Committee.¹

Among the 25 profitable corporations that have benefited the most from 2018 through 2022 are household names like Google, Facebook, Intel, UPS, Target, PepsiCo, and the railroads Union Pacific and Norfolk Southern.

Some corporations have used accelerated depreciation to drive their effective tax rates down to single digits during this five-year period. These include Verizon, Amazon, Walt Disney, Con Edison, General Motors, Dish Network, and others.



TABLE 1. Twenty-Five Corporations Saved \$67 Billion From Depreciation Tax Breaks During First Five Years of Trump Tax Law, 2018-2022

Dollar figures are in millions

Company	Effect of Accelerated Depreciation on Income Tax	U.S. Profits	Current Federal Income Tax	Current Effective Federal Income Tax Rate	Effects of All Federal Income Tax Breaks	Share of Income Tax Breaks Due to Accelerated Depreciation
Verizon Communications	-\$6,621	\$114,070	\$8,856	7.8%	-\$15,099	44%
Amazon.com	-\$6,471	\$69,254	\$6,172	8.9%	-\$8,371	77%
Google	-\$6,056	\$205,189	\$33,969	16.6%	-\$9,120	66%
Facebook	-\$5,674	\$109,908	\$20,430	18.6%	-\$2,651	100%
Walt Disney	-\$4,499	\$38,731	\$2,979	7.7%	-\$5,155	87%
Intel	-\$3,833	\$52,496	\$10,907	20.8%	-\$117	100%
Williams	-\$3,171	\$7,782	-\$179	-2.3%	-\$1,813	100%
Edison International	-\$3,121	\$4,957	-\$42	-0.8%	-\$1,083	100%
Coterra Energy	-\$2,806	\$8,410	\$842	10.0%	-\$924	100%
Pioneer Natural Resources	-\$2,582	\$14,583	\$241	1.7%	-\$2,821	92%
United Parcel Service	-\$2,531	\$35,323	\$4,892	13.8%	-\$2,526	100%
Duke Energy	-\$2,262	\$15,615	-\$1,228	-7.9%	-\$4,507	50%
Consolidated Edison	-\$2,215	8,230	\$102	1.2%	-\$1,626	100%
Union Pacific	-\$1,648	\$38,531	\$6,081	15.8%	-\$2,011	82%
General Motors	-\$1,539	\$35,253	\$431	1.2%	-\$6,972	22%
United Rentals	-\$1,488	\$7,844	\$473	6.0%	-\$1,174	100%
Centerpoint Energy	-\$1,420	\$4,121	\$395	9.6%	-\$470	100%
Target	-\$1,349	\$20,466	\$2,833	13.8%	-\$1,465	92%
Newmont Mining	-\$1,335	\$2,461	\$169	6.9%	-\$348	100%
Entergy	-\$1,306	\$4,508	\$55	1.2%	-\$891	100%
Evergy	-\$1,288	\$3,876	-\$86	-2.2%	-\$900	100%
Marathon Petroleum	-\$1,053	\$22,394	\$2,390	10.7%	-\$2,313	46%
Dish Network	-\$877	\$12,796	\$89	0.7%	-\$2,598	34%
Norfolk Southern	-\$838	\$16,948	\$2,360	13.9%	-\$1,199	70%
Pepsico	-\$729	\$22,443	\$3,362	15.0%	-\$1,351	54%
TOTAL	-\$66,713	\$876,188	\$106,493	12.2%	-\$77,506	86%

'Bonus Depreciation'

Federal tax rules have long permitted accelerated depreciation, which allows businesses to deduct the costs of equipment more quickly than it wears out. But the Tax Cuts and Jobs Act enacted under former President Trump in 2017 created an extreme version of this tax break, 100 percent “bonus depreciation,” allowing businesses to write off the entire cost of equipment in the year it is purchased.

This policy, 100 percent bonus depreciation, was fully in effect through 2022 under TCJA, but corporate lobbyists have long pushed Congress to extend it and to expand that law’s other corporate tax breaks.²

The figures in the table come from the disclosures that publicly traded corporations provide to the Securities and Exchange Commission and make public.

Altogether, these 25 corporations saved \$66.7 billion in taxes thanks to accelerated depreciation during the five years (2018 through 2022) that 100 percent bonus depreciation was in effect under TCJA. Without bonus depreciation, this figure would be much smaller. During this period, these companies together reported paying \$106.5 billion in federal corporate income taxes, which is only 12.2 percent of their combined reported profits of \$876.2 billion.

The federal statutory corporate income tax rate is 21 percent, which means that if corporations enjoyed no special breaks or loopholes at all, they would pay 21 percent of their profits in taxes. As a group these corporations used many kinds of tax breaks to drive their effective federal income tax rate down to 12.2 percent. For the whole group of companies, accelerated depreciation accounts for 86 percent of those tax breaks.

Some companies were able to use depreciation breaks to drive their effective federal income tax rates much lower.

Verizon paid federal income taxes of just 7.8 percent of its \$114 billion in profits from 2018 through 2022. Verizon’s total tax breaks (what the company’s tax bill would have been if it paid 21 percent of its profits minus what it actually paid) were \$15.1 billion. Accelerated depreciation provided 44 percent of that amount.

Amazon paid federal corporate income taxes of just 8.9 percent of its \$69.3 billion in profits from 2018 through 2022. Amazon’s total federal income tax breaks during this time were \$8.4 billion, and three-quarters (77 percent) of those tax breaks were for accelerated depreciation.

Walt Disney paid federal corporate income taxes of 7.7 percent of its \$38.7 billion in profits over the five-year period. Disney’s total federal income tax breaks during this time came to \$5.2 billion, and 87 percent of that amount was from accelerated depreciation.

Some lawmakers argue that accelerated depreciation encourages investment, but the more likely effect is to encourage companies to accelerate investments they planned to make at some point absent any tax break.³ Research has found that corporate leaders pay little attention to accelerated depreciation when making investment decisions, even though their tax departments naturally exploit them to the extent possible.⁴

More details, including figures for each year during the five-year period, are provided below.



TABLE 2. More Detail (Dollar Amounts in Millions)

Company	Effect of Accelerated Depreciation on Income Tax						U.S. Pretax Income						Current Federal Income Tax						Effective Current Federal Income Tax Rate
	Five-Year Total	2022	2021	2020	2019	2018	Five Year Total	2022	2021	2020	2019	2018	Five-Year Total	2022	2021	2020	2019	2018	Five- Year Total
Verizon Communications	-\$6,621	-\$1,495	-\$1,884	-\$1,125	-\$1,222	-\$895	\$114,070	\$25,884	\$27,193	\$21,763	\$20,681	\$18,549	\$8,856	\$1,449	\$1,876	\$2,826	\$518	\$2,187	7.8%
Amazon.com	-\$6,471	-\$5,477	\$1,946	-\$1	-\$1,928	-\$1,011	\$69,254	-\$9,299	\$35,116	\$19,593	\$13,009	\$10,835	\$6,172	\$2,175	\$2,129	\$1,835	\$162	-\$129	8.9%
Google	-\$6,056	-\$1,370	-\$1,855	-\$1,584	-\$416	-\$831	\$205,189	\$60,585	\$75,867	\$36,907	\$15,874	\$15,956	\$33,969	\$16,398	\$8,977	\$4,120	\$2,110	\$2,365	16.6%
Facebook	-\$5,674	-\$1,871	-\$614	-\$1,424	-\$986	-\$779	\$109,908	\$24,151	\$43,121	\$23,710	\$10,302	\$8,624	\$20,430	\$6,094	\$4,971	\$3,297	\$4,321	\$1,747	18.6%
Walt Disney	-\$4,499	-\$659	\$658	-\$2,543	-\$3,969	\$2,014	\$38,731	\$5,673	\$4,701	\$4,248	\$11,912	\$12,197	\$2,979	\$436	\$594	\$95	\$14	\$1,840	7.7%
Intel	-\$3,833	-\$563	-\$1,104	-\$1,302	-\$929	\$65	\$52,496	-\$1,229	\$9,863	\$15,406	\$13,692	\$14,764	\$10,907	\$4,106	\$1,304	\$1,120	\$1,391	\$2,986	20.8%
Williams	-\$3,171	-\$394	-\$457	-\$399	\$396	-\$2,317	\$7,782	\$2,523	\$2,072	\$278	\$1,075	\$1,834	-\$179	-\$25	-\$1	-\$29	\$41	-\$83	-2.3%
Edison International	-\$3,121	-\$446	-\$766	-\$635	-\$559	-\$715	\$4,957	\$649	\$999	\$588	\$1,121	\$1,600	-\$42	\$2	\$-	\$13	\$-	-\$57	-0.8%
Coterra Energy	-\$2,806	-\$39	-\$2,650	-\$40	-\$98	\$21	\$8,410	\$5,091	\$1,491	\$240	\$896	\$691	\$842	\$791	\$208	-\$32	-\$30	-\$95	10.0%
Pioneer Natural Resources	-\$2,582	-\$522	-\$923	-\$113	-\$380	-\$644	\$14,583	\$9,912	\$2,702	-\$264	\$984	\$1,249	\$241	\$260	\$1	\$12	\$8	\$-	1.7%
United Parcel Service	-\$2,531	-\$11	-\$453	\$635	-\$710	-\$722	\$35,323	\$12,003	\$14,026	-\$139	\$3,789	\$5,644	\$4,892	\$2,006	\$1,388	\$839	\$570	\$89	13.8%
Duke Energy	-\$2,262	-\$1,087	\$338	\$84	-\$689	-\$908	\$15,615	\$3,999	\$3,718	\$826	\$4,043	\$3,029	-\$1,228	\$1	-\$2	-\$281	-\$299	-\$647	-7.9%
Consolidated Edison	-\$2,215	-\$472	-\$313	-\$286	-\$297	-\$847	\$8,230	\$2,093	\$1,369	\$1,227	\$1,748	\$1,793	\$102	\$58	\$43	-\$2	\$-	\$3	1.2%
Union Pacific	-\$1,648	-\$253	-\$183	-\$290	-\$594	-\$328	\$38,531	\$8,732	\$8,131	\$6,721	\$7,493	\$7,454	\$6,081	\$1,465	\$1,446	\$1,026	\$1,000	\$1,144	15.8%
General Motors	-\$1,539	-\$182	-\$105	-\$105	-\$467	-\$680	\$35,253	\$11,229	\$9,371	\$6,609	\$3,724	\$4,320	\$431	\$389	\$20	\$84	\$42	-\$104	1.2%
United Rentals	-\$1,488	-\$637	-\$387	\$173	-\$159	-\$478	\$7,844	\$2,475	\$1,624	\$991	\$1,407	\$1,347	\$473	-\$34	\$78	\$290	\$97	\$42	6.0%
Centerpoint Energy	-\$1,420	-\$279	-\$122	-\$134	-\$762	-\$86	\$4,121	\$1,371	\$806	\$531	\$908	\$505	\$395	\$294	\$-	-\$36	\$48	\$89	9.6%
Target	-\$1,349	-\$348	-\$262	-\$236	-\$210	-\$293	\$20,466	\$2,085	\$7,686	\$4,501	\$3,368	\$2,826	\$2,833	-\$84	\$1,111	\$1,013	\$536	\$257	13.8%
Newmont Mining	-\$1,335	\$233	-\$106	-\$326	-\$1,888	\$100	\$2,461	-\$566	\$247	\$631	\$2,396	-\$247	\$169	\$47	\$71	\$35	-\$2	\$18	6.9%
Entergy	-\$1,306	\$866	-\$1,341	-\$683	-\$276	\$128	\$4,508	\$1,061	\$1,319	\$1,227	\$1,082	-\$182	\$55	\$32	-\$5	\$6	\$14	\$37	1.2%
Eergy	-\$1,288	-\$70	-\$8	\$311	-\$160	-\$1,681	\$3,876	\$797	\$1,002	\$722	\$758	\$597	-\$86	\$32	\$16	-\$27	-\$40	-\$67	-2.2%
Marathon Petroleum	-\$1,053	\$60	\$479	\$106	\$471	-\$1,227	\$22,394	\$21,040	\$3,969	-\$12,481	\$5,476	\$4,390	\$2,390	\$3,565	\$380	-\$2,267	\$3	\$715	10.7%
Dish Network	-\$877	-\$516	-\$391	\$115	\$140	\$54	\$12,796	\$3,043	\$3,176	\$2,532	\$1,900	\$2,145	\$89	-\$24	\$126	-\$231	\$173	\$44	0.7%
Norfolk Southern	-\$838	-\$34	-\$196	-\$106	-\$292	-\$210	\$16,948	\$3,998	\$3,742	\$2,462	\$3,408	\$3,338	\$2,360	\$645	\$553	\$307	\$356	\$499	13.9%
Pepsico	-\$729	-\$90	-\$185	-\$268	-\$280	\$94	\$22,443	\$7,059	\$3,696	\$3,960	\$3,927	\$3,801	\$3,362	\$1,051	\$515	\$715	\$652	\$428	15.0%
TOTALS	-\$66,713	-\$15,655	-\$10,884	-\$10,794	-\$17,167	-\$12,176	\$876,188	\$204,359	\$267,006	\$142,789	\$134,973	\$127,061	\$106,493	\$41,129	\$25,799	\$14,704	\$11,554	\$13,307	12.2%

Source: Institute on Taxation and Economic Policy analysis, June 2023

More Details

The effects of accelerated depreciation on corporate taxes are taken from the 10-K forms that publicly traded corporations submit to the Securities and Exchange Commission and disclose to the public. The financial accounting rules that govern what is reported in the form do not allow the costs of equipment to be written off as quickly as the tax code does. The 10-Ks show the tax savings resulting from these favorable tax rules.

The depreciation reported under the financial accounting rules more closely reflects economic reality because those rules require the costs of investments in equipment to be written off over several years until the equipment is expected to wear out.

Technically, accelerated depreciation affects the timing of tax payments. It allows companies to claim deductions for expenses earlier than they would otherwise, and sometimes this means that in later years they pay more than they would otherwise because those deductions are already claimed. This is why Table 2 shows some companies paying more in a particular year due to accelerated depreciation (showing a positive number, rather than a negative number, for the impact of accelerated depreciation on taxes). To some extent, depreciation breaks allow companies to simply delay paying taxes into future years.

However, it would be a mistake to view accelerated depreciation as affecting only the timing of tax payments, as if the same amount of tax revenue will eventually be collected regardless of what tax depreciation rules are in effect.

First, some corporations can use depreciation breaks each year, year after year, so they could avoid federal income tax for decades.

Second, a tax payment deferred is a tax payment that is partly avoided through the effects of inflation. For example, if a company owes \$10,000 in income taxes in 2022 but can delay paying most of it until 2030, the tax due in 2030 is effectively smaller because \$10,000 will be worth less in 2030 than it is worth today. The federal government will effectively receive less. This is especially true in an environment with high inflation.

Of course, inflation is a real issue affecting the lives of Americans. Families everywhere are grappling with higher prices. It does them no good to provide a corporate tax break to reward businesses for making investments they would have made anyway.



Endnotes

1. Steve Wamhoff, “Trio of GOP Tax Bills Would Expand Corporate Tax Breaks While Doing Little for Americans Who Most Need Help,” June 11, 2023, Institute on Taxation and Economic Policy. <https://itep.org/gop-tax-bills-expand-corporate-tax-breaks/>
2. Letter from the National Association of Manufacturers to the chairmen and ranking members of the Senate Committee on Finance and the House Committee on Ways and Means, September 27, 2022. https://documents.nam.org/tax/nam_tax_priorities_letter_september_2022.pdf
3. Steve Wamhoff and Richard Phillips, “The Failure of Expensing and Other Depreciation Tax Breaks,” November 19, 2018, Institute on Taxation and Economic Policy. <https://itep.org/the-failure-of-expensing-and-other-depreciation-tax-breaks/>
4. Lily L. Batchelder, “Accounting for Behavioral Considerations in Business Tax Reform: The Case of Expensing,” draft, January 24, 2017, page 20. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2904885

