



# Trump's Tax Scam Hands Billions in Windfalls to Wall Street

Report of the Senate Finance Committee Democratic Staff

August 9, 2018

Press contact: Rachel McCleery - (202) 224-4515  
@SenateFinance

Trump's tax law is expected to hand a \$26 billion tax windfall to the U.S. banking sector by the end of this year. Nearly half of this windfall is expected to go to six of the biggest banks in the country, which together will haul in over \$12 billion in tax cuts in 2018.

Since Trump signed his tax law, the CEOs of these six Big Banks have announced over \$115 billion in "stock buybacks." Big Bank CEOs are using these financial schemes - which boost CEO compensation by inflating stock prices - to funnel Trump's corporate tax cuts into their own pockets. These six Big Bank CEOs already receive between 163 and 369 times more in compensation than their median employee.

Meanwhile, these tax windfalls, financial schemes, and corporate executive payouts are coming at a time when banks are already recording historic profits.

### **On top of soaring profits, Trump's Tax Law hands the banking sector a \$26 billion tax windfall this year**

In the first three months of 2018, banks raked in a record-breaking [\\$56 billion in profits](#), according to data from the Federal Deposit Insurance Corporation (FDIC). The [previous post-crisis record](#) for quarterly bank profits was [\\$48.3 billion](#) for second quarter 2017.

But here's the kicker: according to the FDIC, even *without* Trump's corporate tax cuts, bank profits in the first quarter of 2018 would *still* have broken previous records. The FDIC estimates that, under the effective tax rate banks paid in the years before Trump's tax law, net income of FDIC-insured banks would have been [\\$49.4 billion](#) in the first three months of 2018. That's still greater than the previous post-crisis quarterly record.

FDIC data shows that Trump's tax law handed the 5,606 FDIC-insured commercial banks an approximately [\\$6.6 billion tax cut](#) in the first three months of 2018.<sup>1</sup> If these first quarter tax cuts reflect the average tax cut the banking sector will receive each quarter this year, FDIC-insured banks can expect to receive roughly \$26 billion in tax cuts in 2018.<sup>2</sup>

Instead of handing banks a \$26 billion windfall as they rake in record profits, Trump and Congressional Republicans could have given a \$160 tax cut in 2018 to every single one of the [162 million](#) middle class taxpayers earning under \$200,000.

### **Six of the biggest banks in the country will rake in over \$12 billion in tax cuts in 2018**

Nearly half of this massive \$26 billion tax windfall is expected to go to six of the [biggest banks in the U.S.](#) Based off independent projections of annual tax cuts, published analyses of public quarterly filings, and statements in earnings call transcripts, these six banks are estimated to receive over \$12 billion in tax cuts in 2018.

JPMorgan Chase, [the largest bank in the United States](#), hauled in [\\$8.7 billion in profit](#) in the first quarter of this year – the largest quarterly profit of any US bank ever. Meanwhile, JPMorgan's CEO told investors the bank will rake in a [\\$3.5 billion benefit](#) from Trump's tax law in 2018 alone.

### Estimated 2018 Tax Cuts for Six of the Biggest U.S. Banks<sup>3</sup>

Company	Estimated 2018 Tax Cut
Wells Fargo	\$3,700,000,000
JPMorgan Chase	\$3,500,000,000
Bank of America	\$3,500,000,000
Citigroup	\$1,741,600,000
Goldman Sachs	\$320,800,000
Morgan Stanley	\$976,000,000
<b>Total</b>	<b>\$12,138,400,000</b>

#### **Instead of rewarding employees, mega-wealthy Big Bank CEOs are using billions in stock buybacks to funnel corporate tax cuts into their own pockets**

Since Trump's tax law passed, major corporations have announced [more than \\$690 billion in stock buybacks](#). By funneling corporate tax cuts into buybacks, corporate CEOs can use these windfalls to inflate stock prices. These inflated prices, in turn, [boost CEOs' stock-based compensation](#) and [enrich shareholders worldwide](#).

The massive wave of corporate stock buybacks under Trump's tax law continues to shatter previous records. Publicly-traded companies already broke records in the first quarter of 2018 by announcing [\\$242 billion](#) in stock buybacks. Then, in the second quarter of 2018, these companies announced over [\\$436 billion](#) in new stock buybacks – nearly doubling the record they set in the first quarter of this year.

Studies show that corporate executives personally take advantage of stock buyback announcements to line their own pockets. A recent analysis by the Securities and Exchange Commission found that, in the eight days following a stock buyback announcement, corporate insiders sell [five times more stock than normal](#) – jumping from an average of \$100,000 to \$500,000 in daily stock sales.

In a [June speech](#) releasing this analysis, SEC Commissioner Robert Jackson said, “the Trump tax bill has unleashed an unprecedented wave of buybacks, and I worry that lax SEC rules and corporate oversight are giving executives yet another chance to cash out at investor expense.”

CEOs of the six Big Banks all agree on how to spend this year's \$12 billion tax windfall: authorizing colossal stock buybacks. So far this year, these CEOs have announced over \$115 billion in new buyback programs.

This Big Bank buyback bonanza will likely increase already-bloated CEO payouts. The six Big Bank CEOs received over \$130 million in compensation in 2017. It would take nearly 2,300 families earning the [median 2016 income of \\$57,617](#) to earn that much in a year.

Moreover, public filings reveal these same CEOs received between 163 and 369 times as much compensation as their median employee in 2017. The CEOs of JPMorgan and Citigroup each received over 360 times more than their median employee.

#### **Big Banks’ 2018 Stock Buyback Announcements and 2017 CEO Compensation<sup>4</sup>**

<b>Company</b>	<b>2018 Stock Buyback Announcement</b>	<b>2017 CEO Compensation</b>	<b>2017 CEO-to-Median Employee Pay Ratio</b>
Wells Fargo	\$47,100,000,000	\$17,564,014	291-to-1
JPMorgan Chase	\$20,700,000,000	\$28,320,175	364-to-1
Bank of America	\$20,600,000,000	\$21,791,812	250-to-1
Citigroup	\$17,600,000,000	\$17,814,131	369-to-1
Goldman Sachs	\$5,000,000,000	\$21,995,266	163-to-1
Morgan Stanley	\$4,700,000,000	\$24,509,722	192-to-1
<b>Total</b>	<b>\$115,700,000,000</b>	<b>\$131,995,120</b>	

#### **A case study in Trump’s Tax Law: billionaire Big Bank CEO funnels billions of corporate tax cuts into massive stock buybacks, disparages critics as “ignorant”**

Here’s a case study in how Trump’s tax law is enriching the donor class at the expense of the middle class. After his bank locked in a [\\$3.5 billion](#) tax windfall for 2018, JPMorgan’s CEO Jamie Dimon authorized an additional [\\$20 billion](#) in stock buybacks. This could push payouts to Dimon above the [nearly \\$30 million](#) he received in compensation last year – which was [364 times more](#) than his median employee. Dimon’s net worth is [\\$1.4 billion](#).

Less than a month after their colossal buyback announcement, JPMorgan’s Chief Operating Officer sold over [\\$3.5 million](#) worth of its stock. In the time between the buyback announcement and the COO’s decision to sell over 30,000 of its shares, JPMorgan’s opening stock price had [increased by over \\$7 per share](#).

Meanwhile, CEO Jamie Dimon has [praised](#) Trumps’ corporate tax cuts and [attacked](#) critics of Trump’s corporate-tax-cut-fueled Big Bank buyback bonanza as "people who are basically ignorant."

Mega-wealthy Big Bank CEOs don’t like being asked why they’re using Trump’s massive corporate tax cuts to inflate stock prices instead of raising their employees’ wages. But hard-working taxpayers are still asking.

## Endnotes

---

<sup>1</sup> This is the difference between the \$56 billion in net income reported by FDIC-insured banks and the \$49.4 billion in net income which FDIC estimates banks would have reported this quarter under banks' effective tax rates from years preceding Trump's tax law, specifically fourth quarter 2011 to third quarter 2017.

See <https://www.fdic.gov/bank/analytical/qbp/2018mar/qbp.pdf>

<sup>2</sup> As a point of comparison, the official Joint Committee on Taxation estimates Trump's corporate tax rate cuts will hand the corporate sector a \$101 billion tax benefit in 2018.

See <https://www.jct.gov/publications.html?func=startdown&id=5053>

<sup>3</sup> Estimates for Wells Fargo and Bank of America are by Goldman Sachs, as reported in the Washington Post [4/20/18] and the AP [1/20/18]. Estimate for JPMorgan is from their 2017 Q4 earnings call [1/12/18]. Estimates for Citigroup, Goldman Sachs, and Morgan Stanley use Q2 tax cut estimates from Bloomberg [7/16/18] and extrapolate those estimates over the calendar year, assuming tax benefits stay constant on average across quarters in 2018.

<sup>4</sup> 2018 stock buyback announcement figures are from Senate Democrats' buybacks tracker.

See <https://www.democrats.senate.gov/goptaxscam>

2017 CEO compensation figures and CEO-to-median employee pay ratios are from Bloomberg's tracker. See <https://www.bloomberg.com/graphics/ceo-pay-ratio/>