Testimony of

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Before the

U.S. House Committee on Ways and Means

March 27, 2019

“The 2017 Tax Law and Who it left Behind”
Thank you Chairman Neal, Ranking Member Brady and Members of the Committee for inviting me to testify today. My name is Christopher Shelton and I am the President of the Communications Workers of America (CWA). CWA represents approximately 700,000 workers in the telecommunications, media, airline, manufacturing, health care and public sectors in the United States, Puerto Rico and Canada. We appreciate having the opportunity to testify today at this hearing on the 2017 tax law because it was one of the most consequential pieces of legislation to be enacted in some time that directly impacts all our members’ lives in many ways, regardless of the sector of the economy they work in.

Unfortunately, during the debate and consideration of that legislation there were no hearings or forums where we were given an opportunity to directly share with this Committee or others in Congress our views on how the tax code could be reformed or restructured to benefit working American families. Hearings like this one should have been held before the law was rushed through Congress. So we are deeply grateful Chairman Neal for you and the Committee now giving us an opportunity to share our views on how the new tax law has impacted working Americans’ lives.

CWA strongly believes that our tax code needs restructuring and reform and we followed the debate on the tax cut closely. We were hopeful that needed reforms that have bipartisan support like closing the carried interest loophole - something promoted by the former Chairman of this Committee, Representative Dave Camp, and then candidate Donald Trump in 2016 - would be part of the package of reforms. Reforms that would provide tax fairness and equity between capitol on Wall Street and working families. And we listened with concern as the focus shifted more to tax cuts to benefit corporations than working families.

**Promises Made**

During that debate and consideration we heard several key promises made by the proponents of the legislation from the President, members of his Administration, Members of Congress and corporate executives. In particular President Trump and the Administration stated that enactment of the law would mean a minimum annual increase in American household wages of $4,000.¹ Speaker Ryan stated on his website that enactment of the tax law would end the incentive for corporations to offshore American jobs.² And various corporate CEO’s proclaimed that the new corporate tax cuts would lead to an explosion of investment in expanding capacity and employment in the U.S. In fact, Randall Stephenson, CEO of CWA’s largest employer of

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our members, said that if the tax bill were to become law, it would lead to the creation of a minimum of 7,000 new jobs for every billion dollars in benefits.\(^3\)\(^4\)

Having watched these sorts of debates before and knowing how exuberant proponents of massive tax cuts can be in claiming the trickle down benefits, we decided to urge some of our largest employers to put their promises to paper. Before the tax bill passed, I sent a proposal to seven of our key employers, including AT&T, asking them to agree in writing to follow through on these jobs and wage promises as part of our current contracts. This proposal required that, if the corporate tax cut was enacted, AT&T and the other six employers would raise all bargaining unit members' pay by $4,000 annually and stop offshoring workers' jobs. Not a single employer signed the proposal.

While the companies would not sign our wage and jobs proposal, AT&T did offer one-time $1,000 bonuses upon enactment.\(^5\) We accepted those bonuses, but explained we would be coming back for the rest of the promised wages and jobs. After AT&T acted, a slew of other national companies followed suit with one-time bonuses of their own - a far cry from permanent wage increases and a drop in the bucket of the total amounts these companies are receiving from the corporate tax cut.\(^6\)

This should have been an early warning sign for U.S. workers that these companies had no intention of living up to the promises that they were making publicly in order to build enthusiasm for the bill or those being made by the tax cuts authors here in Congress. And since the changes in the tax code have been in place for just over one year, we can report that from our perspective, none of those promises - permanent wage increases of at least $4,000 per household, an end to the offshoring of U.S. jobs and greater investment in the United States leading to major job creation - have been delivered on.

**AT&T as an example of promises broken**

Our experience at CWA and public data suggest that at a minimum these promises were overstated. One need look no further than our experience at AT&T for a prime example of how those promises have not become reality. As I mentioned earlier, AT&T CEO Randall Stephenson was one of the most visible and aggressive supporters of the corporate tax cuts. In his public statements in the media and to employees, he promised that AT&T would create at least 7,000 new jobs if the tax cuts were to become law. Instead, since December of 2017 when

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\(^5\) AT&T Inc., Press Release, “With Tax Reform, AT&T Plans to Increase U.S. Capital Spending $1 Billion and Provide $1,000 Special Bonus to more than 200,000 U.S. Employees,” November 8, 2017. Available at: https://about.att.com/story/att_tax_reform.html

\(^6\) CNBC, “These companies are paying bonuses with their tax savings,” January 26, 2018. Available at: https://www.cnbc.com/2018/01/26/us-companies-that-have-announced-bonuses-investments-after-tax-cut.html
the tax law was passed by Congress and signed by the President, AT&T has eliminated 12,321 union jobs.\textsuperscript{7} The company has announced an additional 1,026 involuntary “surpluses” in the first three months of 2019.\textsuperscript{8} These are planned reductions in union represented positions that require employees to separate from employment or accept job offers in other locations or titles, which may require moving far from home.

We have been engaged in bargaining with AT&T on behalf of our members for a new contract at the AT&T Midwest bargaining unit, covering Ohio, Indiana, Wisconsin, Michigan, and Illinois, as well as the national AT&T Legacy T bargaining unit. Considering the years of job loss in these states from decades of misguided trade policies, this would be a good place for AT&T to use their windfall from the tax cuts to begin investing once again in the United States and the U.S. workers.

AT&T is currently refusing to maintain job security for the approximately 14,000 union members located primarily in these Midwest states. Instead of standing by its existing employees, AT&T is looking to cut these good middle class jobs. The company is seeking future workforce reductions in Ohio and Michigan. Their proposal would require our members to move their families anywhere in the state to maintain employment with AT&T if their current position is eliminated and the company is requesting a future reduction of 1,600 bargaining unit positions nationwide across the Legacy T unit. On top of that, in bargaining with the Mobility division of AT&T in Puerto Rico, another economically ravaged part of the United States in need of good jobs and further investment, the company is refusing to follow its own recent practice and guarantee a percentage of calls to be handled by call centers in the Commonwealth.

Are the tax cuts delivering robust job creation? In the case of AT&T, the answer is an emphatic no. The company is eliminating thousands of existing jobs and tries to get away with trumpeting normal hiring to address turnover as supposed job creation. But it’s simple math -- AT&T’s total employment is down by nearly 12,000 people since December 31, 2017.\textsuperscript{9} This is not the picture of a job creator.

We are seeing the same in regards to the promises from the supporters of the legislation around the offshoring of jobs. As I mentioned earlier, then Speaker Paul Ryan said on his website after passage of the tax cuts that its passage “Prevents American jobs, headquarters, and research from moving overseas by eliminating incentives that now reward companies for shifting jobs, profits, and manufacturing plants abroad.”\textsuperscript{10} Unfortunately, I can tell you that not only do those incentives still exist, but the tax law actually made it worse.

\textsuperscript{7} Data provided to CWA by AT&T.
\textsuperscript{8} Data provided to CWA by AT&T
\textsuperscript{9} AT&T Inc., Form 10-K for the years 2018 and 2017, adjusted for 26,000 Time Warner employees added in the second quarter of 2018.
Again, AT&T provides an example of how the reverse is the case. From 2011 to 2018, AT&T closed 44 call centers. The Tax Cuts and Jobs Act has done nothing to stem this tide. AT&T has announced closure of 7 call centers in just the past four months - three throughout the Midwest, one in upstate New York and three in Connecticut. One of AT&T’s major outsourcers, Convergys (now owned by Concentrix), said in May 2018 that it had just finished moving much of its call center work for AT&T offshore to cheaper foreign call centers. Meanwhile, AT&T has opened two of its own call centers in Mexico that currently employ 2,475 people and continue to grow.

AT&T is also looking for employees to pay more for health care, rather than defraying costs with the company’s massive tax cut savings. The company is seeking cuts and new surcharges to the health plan that would result in our members paying an additional $3,000 per year on average for their care. The company is also seeking to establish a permanent second tier of benefits to exclude recently hired workers from the lower cost union health plan.

This is all very troubling to us, because from publicly available information, we know that AT&T reaped a massive windfall from the Tax Cuts and Jobs Act, and appears to be bent on reducing its tax burden even further. After announcing a $20.3 billion reduction in tax liabilities due to the Tax Cuts and Jobs Act back in January 2018, the company has continued to see its windfall increase. In its 2018 annual report, AT&T disclosed $718 million in additional profits bringing the total to $21 billion in one-time benefits. For its ongoing operations, AT&T predicted a $3 billion annual increase in cash profits starting in 2018 as a result of the tax cuts.

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16 Data provided to CWA by AT&T.
18 AT&T Inc., 2018 Annual Report, at page 92. Available at: https://investors.att.com/financial-reports/annual-reports/2018
But is AT&T meeting the baseline of corporate accountability expected even after the tax cuts? In 2018, AT&T reported substantially less in taxes than prescribed by the new corporate tax rate of 21%, with current federal tax expenses of only 13% on its pre-tax profits.\(^{20}\) Further, AT&T reported a net tax refund of $354 million on the actual cash taxes it paid 2018, suggesting that the company may have paid less than zero taxes since the passage of the Tax Cuts and Jobs Act.\(^{21}\) These limited disclosures raise more questions than they answer, and AT&T should be made to answer these questions before the American people.

**Where's the money going?**

You may ask “what are they doing with this money?” We’d like to know as well. CWA has been asking AT&T and other employers to provide updates on the status of their plans for this new wealth. We filed information requests to find out where the windfalls are going. The company refused to tell us. A group of AT&T employees even took a road trip across the Midwest looking for these promised jobs, talking to their coworkers, and finding out that at one location after another, AT&T has been eliminating jobs. These workers documented their trip on social media and ended up in Dallas at AT&T corporate headquarters, delivering thousands of petition signatures calling for the promised jobs, to no avail.\(^{22}\)

CWA filed unfair labor practice (ULP) charges against AT&T at the National Labor Relations Board when it refused to provide us with information about its plan to use the tax bill savings to invest in its workforce. Those acting on behalf of President Trump’s NLRB General Counsel Peter Robb already dismissed the charges and denied our appeal.\(^{23}\) Apparently, the Administration’s view is that ensuring that these tax savings benefit workers as promised goes beyond our statutory role as a union. All efforts to determine what has happened with these new profits have been rebuffed. That’s why we are appealing to Congress to help us get to the bottom of - where did the tax cut money go?

As I reported to you earlier, the employees are not seeing any benefit in terms of increased wages or job opportunities. Here’s what we do know what AT&T is spending on:

- After the passage of tax reform, the company announced plans to pay a bonus of $1,000 to its employees. The bonus amounted to a one-time $200 million expenditure in 2017, or 7% of AT&T’s expected annual benefit from the tax cuts.\(^{24}\)

\(^{20}\) AT&T Inc., 2018 Annual Report, at page 92. Available at: https://investors.att.com/financial-reports/annual-reports/2018

\(^{21}\) Ibid., at page 105.

\(^{22}\) For documentation of this worker road trip, visit: https://attbrokenpromises.org/


\(^{24}\) AT&T Inc., Press Release, “With Tax Reform, AT&T Plans to Increase U.S. Capital Spending $1 Billion and Provide $1,000 Special Bonus to more than 200,000 U.S. Employees,” November 8, 2017. Available at: https://about.att.com/story/att_tax_reform.html
- AT&T’s top 5 executives received compensation of $89 million in 2018. CEO Stephenson received $29.1 million in compensation in 2018 and $135 million over the past five years.\(^{25}\)
- Despite promises to invest more, the company’s 2018 capital expenditures declined by $300 million year over year, and fell by 7% as a share of revenues (what’s known as capital intensity).\(^{26}\) Excluding reimbursements from the federal government for AT&T’s build-out of the FirstNet wireless network, investments dropped $1.4 billion and capital intensity fell by 12%.\(^{27}\)
- During 2018, AT&T distributed $14.0 billion to shareholders in dividends and stock buybacks. This represents a $1.5 billion dollar increase from 2017. AT&T’s shareholder payments represented 72% of total profits over this period.\(^{28}\)

**AT&T not the only CWA employer not sharing the benefits**

We are seeing similar results at other large CWA employees. For example, in the wake of the new tax law, industrial giant General Electric (GE) has continued its slash and burn approach to plant closings and offshoring of manufacturing jobs. In June, the company announced the closure of a 260-person manufacturing plant in Salem, Virginia.\(^{29}\) As IUE Local 161 said, "This story has become all too familiar, as GE has outsourced thousands of American workers’ jobs in the last decades to countries including Mexico, China and Hungary.”\(^{30}\) The plant, which at its peak employed 3,500 people, designed and produced control systems and integrated circuit boards for gas and steam generators, pitch systems for wind turbine blade controls, starters for gas turbines and down-tower assembly for wind power conversion systems. GE has a plant in India producing the same products that can expand its capacity, though the company claims this plant’s work is not being shifted there.\(^{31}\)

American Airlines, where CWA represents passengers service agents, is another company that is benefiting from the tax cuts while callously under-investing in workers. In brief, the company predicts a tax refund of $170 million in 2019 and 2020, even while it pays no federal tax due to losses prior to its bankruptcy.\(^{32}\) Further, American has carried out nearly $12 billion in stock

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\(^{26}\) AT&T Inc, Annual Report, at pages 60, 63.

\(^{27}\) Ibid., at page 18.

\(^{28}\) AT&T Inc, Annual Report, at page 63. Dividends paid = $13.41B; Purchase of treasury stock = $609M; Net Income = 19.95B.


\(^{32}\) The company expected tax refunds of $170 million in 2019 and 2020 because of the elimination of the corporate alternative minimum tax. See Q4 2018 earnings call transcript:
buybacks in the past 5 years (the most of any airline), including $837 million last year. Meanwhile, American pays workers at its regional subsidiary Envoy Air -- known as American Eagle -- poverty wages as low as $9.50 an hour. Workers are forced to rely on public assistance and even sell blood to get by.

**Not unique to CWA employers - GM and Wells Fargo**

General Motors, whose employees are represented by the United Auto Workers (UAW) presents another example of an iconic American company that received a 40% reduction in its U.S. corporate tax rate (from 35% to 21%), but then turned around and announced corporate restructuring that harms American workers. Despite recently reporting bottom line net income of over $8 billion for fiscal year 2018, GM has announced plans to shutter four plants located in Michigan, Ohio, and Maryland, while also laying off 8,000 white-collar workers in the U.S. In total, the lives of nearly 12,000 American workers will be directly harmed. This does not

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American Airlines Group, Form 10-K for the year ended December 31, 2018, at page 84. Available at: https://americanairlines.gcs-web.com/node/37211/html; American Airlines Group, Form 10-K for the year ended December 31, 2016, at page 88. Available at: https://americanairlines.gcs-web.com/node/31111/html


https://investor.gm.com/static-files/cbb78eee-fd3b-47bc-93c8-2c73c3480002


The 3,600 blue collar workers roughly matches the number of workers we have paying dues in these facilities. See also the following WARN notices: https://www.michigan.gov/documents/wda/GM_Hamtramck_1_641159_7.pdf; https://www.michigan.gov/documents/wda/GM_Hamtramck_2_641162_7.pdf; https://www.michigan.gov/documents/wda/GM_Brownstown_Plant_641164_7.pdf; http://dfs.ohio.gov/warn/WARN2018.stm; https://www.dllr.state.md.us/employment/warn.shtml; Warren Transmission has not filed a WARN Act notice to date, although the news has reported 335 workers will be laid off: https://www.macombdaily.com/news/local/gm-to-shutter-warren-transmission-and-detroit-hamtramck-assembly-plants/article_dc2bc0d2-f19c-11e8-a4a4-5b552e410f9d.html; These reports work out to 2,932 workers being laid off, with GM reporting (https://www.michigan.gov/documents/wda/GM_Hamtramck_1_641159_7.pdf) 1,100 workers would take be transferred to other facilities. Totaling 4,032. The difference between this number and our headcount is presumably the white collar workers at the plants.
include the substantial impact that the restructuring will have on GM’s parts suppliers and numerous other small businesses in surrounding communities such as barber shops, restaurants, and grocery stores.

Additionally, there has also been no evidence to date that the corporate tax cuts have encouraged GM to bring back any production from Mexico to the U.S. In fact, GM continues to manufacture some of its most popular and profitable products in Mexico — just to be shipped back to the U.S. for sale. GM is now the largest automaker in Mexico, and by 2020, nearly a third of all of its North American vehicles are projected to be produced in Mexico.

Our experiences at CWA and UAW are not unique. Across the economy, large corporations are retaining profits for wealthy executives and shareholders rather than investing in the U.S. economy. For example, Wells Fargo is predicted to benefit more from the tax cuts than any other bank. These predictions appear to becoming true, with Wells Fargo beating Wall Street analysts’ expectations in the fourth quarter of 2018 with annual profits of over $6 billion total. Instead of using this windfall to increase employment, Wells Fargo announced it was reducing its 265,000 person workforce by 10 percent. Citing “changing customer preferences,” CEO Tim Sloan disingenuously said the bank would lay off up to 26,500 people in the coming months. In fact, the U.S. Department of Labor has investigated several of the announced layoffs in recent months and found that the jobs were being offshored primarily to the Philippines and India.

Reporting and analysis have demonstrated that corporate profits are indeed up as a result of the tax cuts, and companies have invested these profits not in workers or capital projects, but in a record level of corporate stock buybacks in 2018, surpassing the $1 trillion mark. As we’ve seen with AT&T’s failure to expand job opportunities or invest in growth, recent reports have shown that only 4% of businesses reported increasing hiring because of the tax cuts and only 10% reported that they increased investment in things like purchasing new equipment, expanding factories or buying new software.

**What real tax reform would look like**

39 On March 22, 2019, GM announced an EV that was originally supposed to be built overseas was now being built at its Lake Orion, Michigan plant. (https://www.cnbc.com/2019/03/22/gm-invests-400-million-in-orion-assembly-plant-adds-300-jobs.html) GM did not state the decision to bring the car to the US was the US tax code, but rather, it specifically stated it was because:

- The Orion plant currently builds the Bolt EV, and the new Chevrolet EV will be based off an advanced version of the same vehicle architecture.

40 https://www.gm.com.mx/corporativo/estadisticas/. See tabs “Prod_Exportación” and “Vtas_Exportación”. Mexican produced Silverados, Sierras, Equinoxes, Blazers, and Terrains are almost entirely exported to the U.S.


42 According to Wards Auto, GM manufactured 834,414 vehicles in Mexico in 2018, the next largest manufacturer was Nissan who produced 734,730 vehicles.

43 Wards Auto forecasts GM will produce 3,096,357 vehicles in North America in 2020. 956,103 of these will be produced in Mexico.
As I said at the beginning of this testimony, CWA believes our tax code needs to be reformed. We believe that it’s well past time that the idle capital class pay its fair share of taxes. For too long, the tax code has been structured to benefit the super wealthy, private equity, major corporations and Wall Street rather than working people and main street. Our tax code should be designed to benefit working people, ensure that the super-wealthy and multinational corporations pay their fair share, and help create good jobs in the United States. Congress can achieve that by passing legislation to fix some of the worst aspects of the current law.

- H.R. 1711, the No Tax Breaks for Outsourcing Act would eliminate the new law’s incentives that provide benefits to companies that send jobs and money overseas. The 2017 tax law allows many companies to pay a much lower tax rate for profits earned overseas and even includes a deduction for return on tangible investments made outside the U.S. That last provision creates a direct tax benefit for building a factory or call center or investing in equipment overseas.
- H.R. 1735, the Carried Interest Fairness Act would get rid of provisions that allow billionaire private equity and hedge fund managers who make their fortunes by destroying working peoples’ lives to pay a lower tax rate than teachers, firefighters, or call center customer service representatives. This proposal has long had bipartisan support, including from President Trump, and it’s long overdue that this loophole be closed.
- A Wall Street Sales tax, which would ensure that Wall Street traders pay small fees for buying stocks, bonds and securities, just like working people do on our purchases.
- H.R. 748, the Middle Class Health Benefits Tax Repeal Act, which would ensure that working people and their employers aren’t penalized for negotiating for quality health insurance.
- H.R. 1712, the Stop Tax Haven Abuse Act, which would close loopholes that allow wealthy tax cheats to dodge paying their fair share of taxes by hiding profits in non-transparent overseas tax havens.
- The Bring Jobs Home Act (H.R. 685 in the 115th Congress), which would eliminate the outrageous deduction for outsourcing expenses incurred in moving production outside the U.S. and provide a new credit for companies that incur insourcing expenses for bringing jobs back to the U.S.

In closing, our lived reality over the past year has made it clear that the current tax law was nothing more than an effort to increase Wall Street profits and line the pockets of executives. From our perspective, the corporate tax cut was a massive failure if judged on the promises made to U.S. workers. It has not brought jobs back from overseas nor stopped the offshoring of U.S. jobs. It has not raised wages significantly.

We are grateful that you have called this hearing and hope that it is just the first of many hearings to explore how the 2017 tax law has only increased income inequality, led to greater offshoring of U.S. jobs and done nothing to help working families increase their incomes. More hearings need to be held to explore how this trend could be reversed rather than exacerbated. And corporate executives like AT&T’s Randall Stephenson, GM’s Mary Barra and Tim Sloan of Wells Fargo among other corporate leaders should be brought before this Committee and be
required to explain why the predictions and promises made by them and authors of this tax policy changes were so seriously incorrect.

Again, thank you for giving me the opportunity to testify today and I look forward to answering any questions that you may have.