

GM continues tax avoidance schemes while it slashes thousands of jobs

George Kirby
26 April 2019

In the past decade since the federal bailout of US car companies, automaker General Motors has extorted billions in tax cuts and credits from all levels of government, despite raking in massive profits.

These tax benefits have saved automakers billions while starving the public treasury of revenue. As reported by the *Institute of Taxation and Economic Policy* 60 Fortune 500 corporations nationally paid \$0 in federal taxes in 2018 despite billions in profits. GM paid no taxes on its reported \$4.3 billion in profits.

Meanwhile, in the midst of downsizing, including the closure of five plants in North America, GM and other major corporations are continuing buybacks of stocks instead of investing in new plants and equipment.

In February of this year US corporations carried out \$770 billion in stock buybacks as reported by Goldman Sachs, the leading global investment bank, with the GM board of directors authorizing \$14 billion in stock buybacks.

According to one report, GM paid just \$18 million in federal taxes between 2010 and 2016, while recording \$50 billion in profits, an effective tax rate of some .036 percent.

In tax year 2017, GM had \$8.6 billion in future tax credits on its books carried forward from losses prior to the 2009 bankruptcy. Federal tax laws allow companies to carry forward losses suffered in prior years, reducing or eliminating current tax liabilities. In the case of GM it carried over losses from the period prior to the 2009 bailout by the US treasury. Further, the Tax Cuts and Jobs Act of 2017 enacted by the Trump administration entailed a massive lowering of the corporate tax rate, already one of the lowest in the world, from 35 to 21 percent.

At the same time GM and other Detroit-based automakers have pocketed state tax credits, designed to

supposedly preserve jobs. In 2015, Detroit automakers began restructuring programs, reducing investments and implementing other forms of cost cutting. In November 2018 GM announced the closure of five factories in North America and the elimination of some 14,000 jobs.

In the state of Michigan, MEGA [Michigan Economic Growth Authority] tax credits were issued in the mid-1990s to GM in order to supposedly maintain jobs in the state. A MEGA credit is worth 100 percent of a state's personal income tax rate multiplied by the actual wages and benefit costs on new or retained jobs. If the credit exceeds the tax owed, the company receives a refund. Additionally the credit could be received for 20 years.

In 2009 Democratic Governor Jennifer Granholm gave GM a tax credit of \$1.07 billion over 20 years that was tied to preserving 20,000 jobs and making \$2.5 billion in capital investments. During contract negotiations between the United Auto Workers and GM in 2015, the automaker agreed to a continuation of tax credits by the Michigan Economic Development Corp (MEDC) from 2015-2029.

While MEGA was advertised as a tax break to retain jobs, the auto companies never the less wiped out tens of thousands of jobs while attacks on wages and working conditions continued. Despite the recent massive layoffs, GM is still eligible for the full tax credit. Two of GM's recently announced plant closures are in Michigan, including the Detroit-Hamtramck Assembly Plant and its Warren transmission plant. GM has also slashed thousands of engineering and other white-collar jobs in the state.

As reported by *Automotive News*, "By July 2014, GM's remaining tax credits were worth \$2.1 billion, the last public disclosure of their value made by MEDC,

according to state records.”

Aware of the anger this would generate, the administration of Republican Governor Rick Snyder signed a non-disclosure agreement in December of 2015 to prevent the amount of the tax breaks from being made public.

In the meantime, attempts by the legislature to force disclosure of the amount of the tax credits have failed.

Similar deals were struck in other states. The Job Retention Credit and Job Creation Credit enacted in Ohio under Democratic Governor Ted Strickland required GM to retain 3,700 jobs and create another 200 jobs by 2010 in Lordstown. Under these requirements GM received \$46 million in “retention” and \$14 million in “job creation” credits through 2018.

However, the claim that these tax credits were a job creation or retention mechanism is bogus.

The Lordstown GM plant is an example. According to one report GM received over \$60 million in tax credits from the state of Ohio over the past decade to supposedly keep jobs at the Lordstown plant, which closed in March.

The policy of tax handouts to the auto companies has dovetailed with the concessions policy of the United Auto Workers based on the lie that workers have common interests with the employers.

For over 40 years, the UAW sought to sabotage and curtail working class struggle, gutting wages and creating myriad joint union-management committees to increase productivity and undermine working conditions, claiming this was necessary to boost corporate “competitiveness” and undercut the overseas rivals of US carmakers.

With The UAW national contracts set to expire in September, workers are determined to regain ground lost in the 2015 contracts that saw the implementation of further concessions, including maintenance of the two-tier system and a vast expansion of the number of super-exploited temporary part-time workers.

Despite billions of dollars in tax credits, GM and other carmakers are set to continue their assault on jobs and wages, using the threat to jobs as a bludgeon to blackmail workers. Meanwhile, all levels of government are continuing to impose cuts to social services, claiming “there is no money.”

This scandalous situation is another demonstration of the incompatibility of a system based on private

ownership and private profit with the essential needs of the working class, the vast majority in society.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact