Eight Corporate Subsidies in the Fiscal Cliff Bill, From Goldman Sachs to Disney to NASCAR

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Throughout the months of November and December, a steady stream of corporate CEOs flowed in and out of the White House to discuss the impending fiscal cliff. Many of them, such as Lloyd Blankfein of Goldman Sachs, would then publicly come out and talk about how modest increases of tax rates on the wealthy were reasonable in order to deal with the deficit problem. What wasn't mentioned is what these leaders wanted, which is what's known as "tax extenders", or roughly $205B of tax breaks for corporations. With such a banal name, and boring and difficult to read line items in the bill, few political operatives have bothered to pay attention to this part of the bill. But it is critical to understanding what is going on.

The negotiations over the fiscal cliff involve more than the Democrats, Republicans, the middle class and the wealthy. The corporate sector is here in force as well. One of the core shifts in the Reagan era was the convergence of wealthy individuals who wanted to pay less in taxes – many from the growing South – with corporations that wanted tax breaks. Previously, these groups fought over the pie, because the idea of endless deficits did not make sense. Once Reagan figured out how to finance yawning deficits, the GOP was able to wield the corporate sector and the new sun state wealthy into one force, epitomized today by Grover Norquist. What Obama is (sort of) trying to do is split this coalition, and the extenders are the carrot he's dangling in front of the corporate sector to do it.

Most tax credits drop straight to the bottom line – it's why companies like Enron considered its tax compliance section a "profit center". A few hundred billion dollars of tax expenditures is a major carrot to offer. Surely, a modest hike in income taxes for people who make more than $400k in income and stupid enough not to take that money in capital gain would be worth trading off for the few hundred billion dollars in corporate pork. This is what the fiscal cliff is about – who gets the money. And by leaving out the corporate sector, nearly anyone who talks about this debate is leaving out a key negotiating partner.

So without further ado, here are eight corporate subsidies in the fiscal cliff bill that you haven't heard of.

1) Help out NASCAR - Sec 312 extends the "seven year recovery period for motorsports entertainment complex property", which is to say it allows anyone who builds a racetrack and associated facilities to get tax breaks on it. This one was projected to cost $43 million over two years.

2) A hundred million or so for Railroads - Sec. 306 provides tax credits to certain railroads for maintaining their tracks. It's unclear why private businesses should be compensated for their costs of doing business. This is worth roughly $165 million a year.

3) Disney's Gotta Eat - Sec. 317 is "Extension of special expensing rules for certain film and television productions". It's a relatively straightforward subsidy to Hollywood studios, and according to the Joint Tax Committee, was projected to cost $150m for 2010 and 2011.

4) Help a brother mining company out – Sec. 307 and Sec. 316 offer tax incentives for miners to buy safety equipment and train their employees on mine safety. Taxpayers shouldn't have to bribe mining companies to not kill their workers.

5) Subsidies for Goldman Sachs Headquarters – Sec. 328 extends "tax exempt financing for York Liberty Zone," which was a program to provide post-9/11 recovery funds. Rather than going to small businesses affected, however, this was, according to Bloomberg, "little more than a subsidy for fancy Manhattan apartments and office towers for Goldman Sachs and Bank of America Corp." Michael Bloomberg himself actually thought the program was excessive, so that's saying something. According to David Cay Johnston's The Fine Print, Goldman got $1.6 billion in tax free financing for its new massive headquarters through Liberty Bonds.

6) $9B Off-shore financing loophole for banks – Sec. 322 is an "Extension of the Active Financing Exception to Subpart F." Very few tax loopholes have a trade association, but this one does. This strangely worded provision basically allows American corporations such as banks and manufactures to engage in certain lending practices and not pay taxes on income earned from it. According to this Washington Post piece, supporters of the bill include GE, Caterpillar, and JP Morgan. Steve Elmendorf, super-lobbyist, has been paid $80,000 in 2012 alone to lobby on the "Active Financing Working Group."

7) Tax credits for foreign subsidiaries – Sec. 323 is an extension of the "Look-through treatment of payments between related CFCs under foreign personal holding company income rules." This gibberish sounding provision cost $1.5 billion from 2010 and 2011, and the US Chamber loves it. It's a provision that allows US multinationals to not pay taxes on income earned by companies they own abroad.

8) Bonus Depreciation, R&D Tax Credit – These are well-known corporate boondoggles. The research tax credit was projected to cost $8B for 2010 and 2011, and the depreciation provisions were projected to cost about $110B for those two years, with some of that made up in later years.

Conveniently, the Joint Committee on Taxation in 2010 did an analysis of what many of these extenders cost. You can find that report here. Enjoy!

Read more at http://www.nakedcapitalism.com/2013/01/eight-corporate-subsidies-in-the-fiscal-cliff-bill-from-goldman-sachs-to-disney-to-nascar.html#klPzrUy8lh5RQV6l.99