

**The Great American Jobs Scam**  
*Corporate Tax Dodging and the Myth of Job Creation*  
**By Greg Leroy**

**CURRICULUM GUIDE 2006-2007**

*Prepared by Shannon M. Comer*

# **The Great American Jobs Scam**

## *Corporate Tax Dodging and the Myth of Job Creation*

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### **LESSON ONE**

## **The Tax Dodgers Are Coming! The Tax Dodgers Are Coming!**

### **Great American Jobs Scam: Lesson #1**

#### **OBJECTIVES:**

Participants will be able to...

- Explain several of the collection scams that corporations pull on taxpayers.
- Describe how these scams affect taxpayers.
- Develop an opinion as to whether the scams are justified by job creation.

#### **MOTIVATION:**

Start by establishing prior knowledge of this subject.

Q: Does anyone know how corporate tax subsidies work?

Q: What outcomes do states expect by subsidizing companies?

The instructor should then briefly explain how tax subsidies operate and then allow the class to discuss the previous questions for approximately ten minutes.

#### **LESSON:**

The participants should read Scam #1 from Chapter One, and then discuss and summarize the chapter in the following steps:

1. Have participants read pages 9-14 (Scam #1).
2. The instructor will then ask participants to begin summarizing by sharing key points from the scam. The instructor will create a list of these key points on the board.
3. Using these key points the instructor will create a summary.
4. Possible key points are listed below:

- Raytheon threatened to leave Massachusetts unless they were given tax breaks (single sales factor) and other deals.
- The state of Massachusetts saw this threat as “blackmail”.
- Raytheon hired a public relations team that put a new spin on the company’s demands: cut corporate taxes and save jobs.
- Raytheon gained support from AFL-CIO, the Massachusetts’ House Speaker and Governor.
- By skewing numbers to Raytheon’s advantage and “setting the bar low” a private economic consulting firm concluded that there would be positive job results from the SSF (tax break).
- The economic model used by the consulting firm was held in question; the “majority of projected benefits consisted of *saved* jobs and ripple-effect jobs, not newly created jobs”, only the pentagon can create defense jobs.
- After the SSF bill passed (1996), Raytheon reduced its employees by 21%.
- The SSF had a loophole; it conceded that a company only had to maintain its “dollar payroll, not its headcount”.
- Therefore, Raytheon fired blue-collar workers and kept their white-collar workers, thus losing support of the unions.
- Raytheon continues to receive this tax cut, and no longer has to create jobs, costing the state \$21 million a year.

The instructor will then explain the activity: *Most of the scams we’ll be discussing benefit corporations while hurting the state and taxpayers. The companies appear to mislead state officials, thus leading us to say that these corporations are scamming taxpayers. Today we’ll employ the summarization model we just used to highlight some common scams discussed in Chapter 1.*

The Instructor will present the expectations, listed below, to participants.

- Summarize the scam in no more than 10 sentences.
- Be sure to explain....
  1. What state and companies were involved in the scam?
  2. How does the scam benefit corporations?
  3. How does the scam hurt taxpayers and/or the state?
- Also include any questions your group had about the scam.
- Groups will have 5-7 minutes to present.

**Note to Instructor:** Each group should have 2-4 members. If the class is small then all the scams will not be summarized. It is up to your discretion to choose the scams you feel are the most important to discuss. Possibilities include: scam #2, 3, 4, 8, 11, and 12.

### **Directions for establishing groups**

1. Place participants into groups of 2-4, depending on class size. Keep in mind that at least 5-6 scams should be covered.
2. Assign a scam to each group, which they will read individually, discuss and summarize on chart paper.
3. Give the groups 20- 30 minutes to complete their summarizations.
4. Each group presents their summarizations to the class.

### **SUMMARY QUESTIONS:**

1. Which of these scams do you find most outrageous? Why?
2. If you were a public official put in a similar situation, how would you react?

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## **LESSON TWO**

### **Site Location 101: How Companies Decide Where to Expand or Relocate?**

#### **Great American Jobs Scam: Lesson #2**

##### **OBJECTIVES:**

Participants will be able to...

- List the most important factors a location must possess when companies are determining a site locale.
- Explain why tax breaks are not of primary importance when companies are determining a site.
- Describe how site location consultants manipulate public officials through the use of the prisoner's dilemma, commission and other practices.

##### **MOTIVATION:**

Imagine you are moving....

- Have participants create a list of the five most important factors that will help determine where they will move.
- After students create a list, discuss the following questions:

Q: How do you think your moving priorities compare with those of a large US corporation?

Q: Which factors do you think are most important to a large corporation? Why?

**LESSON:**

*Surprisingly, many of the factors an average citizen looks for when moving mirror that of corporate America. Tax breaks are not really that important!*

➤ Read about *Acme Widget*: pages 47-48 (1<sup>st</sup> paragraph on *Business Basics*)

Q: What aspects were most significant for the Widget Company?

Q: Why were these factors so imperative to the success of this corporation? *Discuss.*

Q: Do you think that all companies look for the same attributes when choosing a site? Why?

*\*expected response: No, because every company has different needs.*

NOTES on board, list and discuss:

**What companies really look for when choosing a site**

- Affordable supply of key inputs
- Proximity to suppliers and customers

➤ Give Silicon Valley as an example of this.

Q: Let's say you wanted to open a restaurant, what characteristics would you look for when choosing a location?

Q: Would you open a fine dining restaurant in a high poverty, low-density area? Why? / Why not? *Discussion should lead to the idea that without appealing to the desired demographic, a business will not be successful. The tax breaks will not outweigh the loss of profits.*

➤ Corporate America works the same way. The class will then read the *Ady quote* on page 50 (2<sup>nd</sup> paragraph in *Taxes: The Least Important Factor*).

➤ Instructor will write on board:

**SUBSIDIES CANNOT MAKE A BAD PLACE GOOD.**

Q: Do you agree or disagree?

- List and discuss **other small screening factors** such as:
  - Cheap labor/ low union activity
  - Good schools
  - Entertainment
  - Culture

Review *Table 2.1, Site Location Cost Factors* by Robert Ady, on page 52.

**Let's go back to the Widget Acme Company: Let's say that Widget was pretty sure it wanted to locate in Madison, Wisconsin; however, the company doesn't tell Madison this, instead they tell Madison that they're interested, but are also seriously considering Chicago, Illinois. They tell both cities that they're real possibilities—why would they do this?**

- List and discuss key points:

### **PRISONER' S DILEMMA**

- 2 parties that should be cooperating are positioned against each other.
- A negotiating tool used to get the best tax breaks.
- Companies used alternate locations for leverage.

Q: How does using the “prisoner’s dilemma” benefit a company?

-Discuss why corporations use this tactic (ROI's)

**Just like any other real estate agent, location consultants work on commission and pocket up to 30% of the subsidy package given to the company they represent. How does this determine which location they show to corporations?**

Refer to *Brian Maus's quote* on page 57 (2<sup>nd</sup> paragraph in *Consultants, Commissions, Correlations, and Objectivity*).

- Instructor should list and summarize the following;

#### **Examples that subsidies don't matter**

- In Vermont, only 2 out of 21 companies said subsidies were decisive for their expansions.
- Toyota kept their location in San Antonio, even though they had higher subsidy offers from three other states.
- Companies such as: Toyota, Citgo, and AMEX admit that subsidies don't matter.
- Many subsidies go unclaimed.

Q: So, why are politicians so eager to give away tax breaks?

➤ Have participants hypothesize and discuss the following points:

- *Politicians are afraid they'll lose jobs for their state.*
- *They are unaware of their power.*
- *They are just used to handing out subsidies. (Vermont example)*

But there is hope, conclude lesson with **quote from** Idaho Governor, **Cecil Andrus** on page 59 (Indented paragraph in *Additional Evidence That Subsidies Don't Matter*).

### **SUMMARY QUESTIONS:**

1. What are the most important factors in choosing a site location?
2. How can we change the trend of government officials giving away tax breaks?

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### **LESSON THREE**

## **“Single Sales Factor” and the Corporate Assault on the Income Tax**

### **Great American Jobs Scam Lesson #3**

#### **OBJECTIVES:**

Participants will be able to....

- Explain why the single sales factor is lucrative for large corporations.
- Describe how the SSF works against small companies and public services.
- Site several examples of the consequences states have endured due to granting companies SSF.
- Give a brief history of the standard state tax system in the United States

#### **MOTIVATION:**

*Today we'll be discussing a specific type of tax subsidy that saves various corporations up to 80-90% in taxes every year. Like most subsidies, it was intended to attract jobs and create competition for specific projects. This subsidy is called the Single Sales Factor (SSF), which uses three parameters to tax a corporation instead of only focusing on one factor.*

Q: Is anyone familiar with how corporations are taxed? What aspects are considered when states tax companies?

Answers should include:

Three factors used to tax corporations:

- 1- The share of a company's payroll that is in the state.
- 2- The share of the company's property that is in the state.
- 3- The share of the company's sales that take place in the state.

- Use this time to gauge participants' background knowledge of corporate tax and subsidies.

Q: How would a decrease in tax payment for corporate America affect the average citizen?

Answers should include:

- Less money for public schools
- Higher taxes for individuals/ working class families
- Less money for public services

### LESSON:

- The instructor should lead an introductory discussion on the Single Sales Factor.

The following points should be addressed:

- In theory, the creation of the SSF was intended as a deal that states could offer companies, so the companies would come to that state and create jobs.
- The reality is that the more states that adopt this policy, the less effective it becomes; the value shrinks.
- It is a "slippery slope"

### How does the Single Sales Factor work?

Instead of the "normal" three factors to tax corporations, the SSF only recognizes a company's share of sales in a state. For example if a company's annual income is \$10 million, they are traditionally taxed as follows:

$$\$10,000,000,000 \times \frac{0.5 (\text{payroll}) + 0.4 (\text{property}) + 0.02 (\text{sales})}{3} = \$3,066,667 \text{ taxes}$$

But, if the SSF is put into effect, then:

$$\$10,000,000,000 \times 0.02 (\text{sales}) = \$200,000$$

Let's explore how the tax amounts would affect a variety of corporations.

## ACTIVITY:

[See lesson #3 attachment for company descriptions]

### ➤ **Proceed as follows:**

- Break participants into various businesses.
- Each group will be a different sized corporation with a variety of property, payroll and instate profits.
- Have each “corporation” calculate their annual state tax payments.
- Next, have each group reconfigure their annual taxes applying the SSF.
- Each group will then share information about their corporation, and their tax results.
- Finally, each group will present a reaction to the effect of the SSF on their taxes. Their reactions should include a short, supporting argument.

## ACTIVITY FOLLOW UP/ DISCUSSION QUESTIONS:

- 1.) What are the characteristics of the type of corporation that benefits from the SSF?
- 2.) Who benefits the least? Do you think the SSF is a “fair” subsidy?
- 3.) Why do you think some states don’t adopt the SSF? *Briefly discuss the Pennsylvania example.*
- 4.) If a company is given the SSF, do you think they should have the responsibility of creating jobs? *This question should lead to a discussion about the lack of accountability associated with the SSF.*

## SUMMARY:

### IF TIME PERMITS:

#### ➤ **Explain/ discuss Illinois case study (7 minutes)**

- Enacted in 1998
- Favored only a small number of big businesses. Five businesses received 63% of the tax cuts.
- After the SSF was enacted, various large companies laid off 9,900 workers.
- Cost the state of Illinois \$462 million

## How have corporate taxes reached this point?

A brief history of the SSF and UDIPTA

- In 1957, UDIPTA was created; it is the traditional three-factor formula.
  - It allows 100% of corporate income to be taxed.
  - The problem with UDIPTA was nexus: who should be taxed?
- Public Law 86-272 was passed, stating that only companies with payroll and property in a state can be taxed in that state.
- In 1966, the federal government created the MTC, which encouraged all states to adopt UDIPTA, but participation was still voluntary.
- In 1970, MTC begins to audit corporate taxes and discover corporations’ “nowhere income;” some profits were never taxed.

- 1972, US Steel vs. MTC: 16 of the United States largest companies sue MTC over their right to audit corporate taxes.
- In 1978 the Supreme Court rules in favor of the MTC.
- Business lobby creates COST to fight the MTC.

**Loopholes**

- Briefly explain and discuss “nowhere income,” and the Delaware holding loophole.

## Chapter 3

### ATTACHMENT

#### **COMPANY #1:**

This is a large corporation that distributes its products nationally. The state where the company's headquarters is located adopts the SSF tax.

How much will you save if your annual profits total \$15 million? 55% of your payroll and 50% of your property are in-state, but only 10% of your sales are in-state?

**Task #1:** Determine your annual taxes using the traditional taxing method and then reconfigure your annual taxes using the SSF.

**Task#2:** Equate your percent change using the following equation.

$$\frac{\text{Tax before the SSF} - \text{Taxes after SSF}}{\text{Tax before the SSF}} \times 100 = \% \text{ change}$$

#### **COMPANY #2:**

This is a Wal-Mart type company; it is a very large company and does business worldwide. Its annual profits equal \$25 million; 45% of its payroll, 40% of its property and 2.5% of its sales exist in a state that just adopted the SSF.

**Task #1:** Determine your annual taxes using the traditional taxing method and then reconfigure your annual taxes using the SSF.

**Task#2:** Equate your percent change using the following equation.

$$\frac{\text{Tax before the SSF} - \text{Taxes after SSF}}{\text{Tax before the SSF}} \times 100 = \% \text{ change}$$

### **COMPANY #3:**

This is a local company that has shown promising growth over the past five years, it started in-state but is beginning to grow and now sells goods in other states. This corporation's hometown/ headquarter state has just accepted the SSF. How much will your taxes change if your annual profits equal \$5 million with 100% of your payroll and property in-state and you do 95% of your sales in-state?

**Task #1:** Determine your annual taxes using the traditional taxing method and then reconfigure your annual taxes using the SSF.

**Task#2:** Equate your percent change using the following equation.

$$\frac{\text{Tax before the SSF} - \text{Taxes after SSF}}{\text{Tax before the SSF}} \times 100 = \% \text{ change}$$

### **COMPANY #4:**

This company is a small, family owned business that does all of its business in-state. Annual profits equal \$1.5 million and 100% of this company's payroll, property and sales take place in a state that just adopted the SSF.

**Task #1:** Determine your annual taxes using the traditional taxing method and then reconfigure your annual taxes using the SSF.

**Task#2:** Equate your percent change using the following equation.

$$\frac{\text{Tax before the SSF} - \text{Taxes after SSF}}{\text{Tax before the SSF}} \times 100 = \% \text{ change}$$

**COMPANY #5:**

This is a small, growing company that has headquarters out of state. They do a large portion of their business in a state that has accepted SSF. The annual profit of your company equals \$4 million, with only 10% of its payroll, 15% of its property and 35% of its sales occurring in this SSF state.

**Task #1:** Determine your annual taxes using the traditional taxing method and then reconfigure your annual taxes using the SSF.

**Task#2:** Equate your percent change using the following equation.

$$\frac{\text{Tax before the SSF} - \text{Taxes after SSF}}{\text{Tax before the SSF}} \times 100 = \% \text{ change}$$

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### **LESSON FOUR**

#### **Property Tax Abatements and Your Local School**

##### **Great American Jobs Scam: Lesson #4**

###### **OBJECTIVES:**

Participants will be able to...

- Recognize a relationship between corporate subsidies and loss of revenue for education and public services.
- Understand how abatements and TIFs work and give an example of how they've cost public schools millions of dollars.
- Develop possible ways to get money back to the schools.

###### **MOTIVATION:**

Q: Why are good schools important?

- *Better future for young people.*
- *Opportunity*
- *Growth in United States*
- *Contributes to a skilled workforce*

***When companies look for a place to locate, they primarily look for skilled labor.***

###### **LESSON:**

Q: Where do public schools get their funding?

- *Federal government (8%)*
- *State government*
- *Property taxes, \* most importantly, account for 1/3 or more of school funding*

Q: What type of tax breaks does the government give companies to lure them to their cities? *Property tax breaks*

➤ Refer to the point made on page 116 (2<sup>nd</sup> paragraph) that states :  
“*There is a direct correlation between companies avoiding their property taxes and children having good schools.*”

➤ Ask participants to share their reactions to this quote.

Q: How are companies avoiding their taxes and children having good schools related?

Q: What are some long-term consequences that schools could endure due to property tax breaks?

*Responses should include:*

- *Corporate abatement = less money for schools*
- *Other types of subsidies cut back on state revenue leaving less money for school funding*

➤ Instructor should give a brief explanation of TIFs and abatements.

**TIFs: Increased taxes go to subsidies, not to schools**

- New investors can get up to 100% tax exemptions
- Companies don't always hold up their end of the deal, half the time they don't create the jobs they promised.

Q: Are these tax breaks worth it, if public schools suffer?

Q: Would the tax breaks be worth it if the companies always created the jobs they promised? Why? /Why not?

**ACTIVITY:**

➤ Instructor should place participants in groups of 2-4. Groups should then jigsaw the case studies of Louisiana, Ohio, Illinois, Maine and South Carolina including the following:

1. A brief summary, 5-7 sentences, of the case study.
2. What benefits did the state give the corporations?
3. How did the exemptions influence school funding?

➤ Note to Instructor: use the same directions for establishing groups provided in chapter one.

- Each group will be responsible for a case study.
- Participants will showcase their findings on chart paper.
- Have each group present their cases (5 minutes each).

After studies are presented, list and discuss possible solutions including:

- *Informing the public*
- *Encouraging taxpayers to voice their discontent*
- *\*Pressuring school boards to make changes*

This discussion should lead to questions about the school boards' role in granting corporate subsidies.

- Instructor should explain that, by and large, school boards have no say in how abatements or TIFs are used, referring to the last three paragraphs on page 125 (from *The Root Problem: School Boards Usually Have No Say*).

### **SUMMARY QUESTIONS:**

1.) [Question from page 126]

Would the business climate suffer if school boards got to say whether or not their property taxes got abated? *Instructor should give the Texas example.*

2.) How are corporate subsidies partially responsible for the deterioration of schools in the United States?

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### **LESSON FIVE**

#### **Subsidizing Sprawl, Subsidizing Wal-Mart**

##### **Great American Jobs Scam: Lesson #5**

###### **OBJECTIVES:**

Participants will be able to....

- List factors that contribute to SPRAWL
- Explain how TIFs, EZs and subsidies have contributed to sprawl.
- Describe how sprawl fuels inequality.
- Explain Wal-Mart's contribution to sprawl.

###### **MOTIVATION:**

- Have participants complete the checklist on page 128-129.

Q: Does your city suffer from suburban sprawl?

Q: What is your reaction when you see a new strip mall or Wal-Mart type center being built in your town?

###### **LESSON:**

Q: How would you define sprawl? *List and discuss responses.*

SPRAWL: development patterns with low density (page 130)

*Today, we'll be discussing the causes and effects of sprawl.*

What fuels Sprawl...

- *Instructor will give a brief description of EZs and TIFs*

### **EZs (Enterprise Zones)**

- Originally meant to revitalize poor areas by giving companies subsidies to locate there.
- Have been misused and more breaks have been given in wealthier areas than poor.

### **TIFs (Tax Increment Financing)**

- A long term investment in redevelopment of an area; property values go up and, in effect, taxes increase.
- Increased taxes were originally meant for schools, public services and further development of an area.
- Unfortunately most states now use this money to subsidize the construction sites of private corporations.

Q: How could these subsidies be fueling sprawl?

## **EFFECTS OF SPRAWL**

### **Cars/Public Transportation**

- More dependence on cars.
- More traffic and emissions.
- More roadwork needed.

Q: What affect could this have on public health?

### **Health/ Environment**

- Increased obesity.
- Poorer air quality.
- Less “green” space.

Q: How could sprawl increase racial/ economic inequality?

### **Racial/ Economic Inequality**

- Less work in urban areas.
- Poorer people are less likely to have cars, so less likely to get to jobs far away.
- Less tax dollars in poor areas to fund schools.

Read attached article, *All Sprawl Down* by Jane Holtz Kay (see Lesson 5 Attachment) and discuss.

**SUMMARY QUESTIONS:**

- 1.) How does sprawl affect the quality of urban schools?
- 2.) How does sprawl fuel racial and economic inequality?
- 3.) What are some of negative effects can have on a community?
- 4.) How do EZs and TIFs support sprawl?

**Chapter 5**  
**Attachment**

**All Sprawl Down**

By Jane Holtz Kay

Look down the road and you see sprawl in the fast lane. Consult the signs and you see the results: "Teardowns for Sale," McMansions or Starter Castles consuming the landscape. Observe the driveways and you glimpse the SUVs-on-steroids lodged in three-car garages. Witness the outcome: congestion and more congestion.

Welcome to the new architecture of the exit ramp. This is the Great Diaspora to the fringes that has aroused Americans to a new political and environmental awareness. Politicians cluck. Environmentalists struggle to stem the menace.

And menace it is. Sprawl's spreading land patterns are altering every segment of life in the Bay State as in the nation. Sprawl is social. It is a shift in community structure as our old, walkable neighborhood interactions succumb to car-bound lifestyles. Sprawl is political. It is a shift in the national voting pattern as voters disperse from city to suburb.

Sprawl is environmental and planetary, rendering habitat into hardtop and landscape into hardscape across the state. The coyote who dropped in on South Enders not too long ago, like the white-tailed deer chomping on suburban rosebuds, bespeaks the uprooting. Beyond the winsome newspaper accounts of these four-footers, the shift indicates the deeper loss of habitat and species caused by sprawling developments, chewing up 44 acres here every day, Audubon reports.

To be sure, the 240 referendums on U.S. ballots for open space this spring (with 72 percent passing) reflect the concern with development lapping over farm and forest, wetland and aquifer out where the grass(roots) grow. So do the 50-plus organizations from Historic Massachusetts to the Environmental League fighting recalcitrant realtors to establish the Community Preservation Act to buy open space, preserve historic spaces and places and build affordable housing to prevent sprawl. Neighborhood partisans who deplore the particle board paradises and squalid malls creeping across the countryside are making common cause with urbanites to save what William Whyte called The Last Landscape.

And, yet, for all the forward motion, highway-first policies are stalling progress. For all the talk, the city is studded with billion-dollar Big Dig cranes to tunnel us out faster to the next "there" on the periphery. And, less visibly, state road hogs are stomping the state with Little Digs - dig after dig, after dig.

Misinvestment, disinvestment, wrong investment. The ongoing road building subsidizes urban flight and undermines the land banks and trusts. Locally, almost \$200 million in road projects is underway in Boston, while the state allots 400 million a year beyond the Big Dig to roads and bridges with fresh-start rather than fix up high on the agenda.

The latest outrage came last week when Secretary of Environmental Affairs Robert Durand confirmed the MBTA's decision to deny Roxbury and the South End rail replacement for the Orange Line. In its stead, comes a lumbering, second-rate bus, the so-called Silver Line, a misnomer designed to associate silver with high tech slick. Given no guaranteed right-of-way to speed the trip, this is highway robbery and environmental injustice - a throwback to highway 'uber alles' policies made visible in the intrusive '50s style bus stops designed to line its cumbersome

route.

Such projects are symptomatic of a state in overdrive. Add-a-lane here. Widen an intersection there and there. Mislabeled it "repair" or "safety," and asphalt spreads, and with it sprawl. The only thing green about the state's transportation policy is the money. The only thing certain is its destiny to promote the sprawl that eats the soil that Jack bought and strips the historic centers that time wrought.

Whether "privatized" for a whopping \$250 million like the 21 miles of lanes on Route 3 north to New Hampshire or public like the proposal for Route 3 South, or ongoing for the endless Route 128, roads bring more driving, less walking and undercut planning for livable communities. Roads are the subsidized engine of urban flight that feeds the lawnmowers of exurbia. Streetcars and trains are the core of compact communities that reverse that exodus.

Nonetheless, for all the success of commuter rail and Amtrak's new high-speed train to New York, streetcar and other rail improvements lag. Nationally, more roads are in the works from the \$203 billion federally-funded highway program, upped last year by 40 percent; locally, road turf - widening expands.

To make the center hold, programs for good rail transit and transit-oriented rail development are essential to stop sprawl. Yet, our state transportation policy is neither comprehensive nor consistent in their behalf. Our failure to get back on track with the trains and trolleys that once pioneered Boston's streetcar city and suburbs is a dispiriting conclusion to the waning century. It is time to turn today's land-grabbing fast lane to sprawl into a fast track for rail.

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## LESSON SIX

### Loot, Loot, Loot, for the Home Team

#### Great American Jobs Scam: Lesson #6

##### **OBJECTIVES:**

Participants will be able to....

- Give a brief history of subsidies and stadiums.
- Explain why government officials subsidize stadiums.
- Develop an opinion as to whether subsidies should be granted to sports stadiums and convention centers.

##### **MOTIVATION:**

Read *Art Modell's* introductory *quote* to this chapter on page 157.

Q: What is your reaction to this quote? Do you agree with it or disagree?

- *Have each participant give a response.*

Q: Do you think that the corporations we've read about so far would agree or disagree with this quote? Support your answer.

##### **LESSON:**

Begin by having participants share their thoughts....

Q: Who should pay for the construction of new stadiums? Why?

*Who pays:*

- *90% of stadiums are built with taxpayer money*
- *\$10 billion of taxpayer money has been used*

Q: Why would state governments pay for a privately owned stadium?

Q: How do you think the public would react if they lost their “hometown team”?

- Ask if anyone can give a brief history of the Brooklyn Dodgers and Walter O’Malley. If not, the Instructor should explain.

List and discuss **problems with stadiums**, including:

- Limited use
  - They create low paying jobs with few benefits
  - They don’t add to economic activity, they just “realign” it.
  - The tax breaks only benefit team owners
- Instructor should then present participants with the **New York Times** article, “*Giants and Jets Agree to Share a New Stadium*” by Bagli, C and Sandomir, R. (see Lesson 6 Attachment).

The class should then discuss their opinion on the topic.

**Questions presented by the instructor could include:**

- 1.) Who do you think should pay for the creation of this stadium?
- 2.) Do you think it’s justified to raise taxes to pay for the construction of this site? Why or why not?
- 3.) How do you think it will work out, having two teams using the same stadium?
- 4.) If the class discussion doesn’t address it, then the instructor should point out that this article also deals with the prisoner’s dilemma that was a focus in Chapter Two.

**SUMMARY ACTIVITY:**

The class should read and discuss the cartoon presented at the beginning of the chapter.

# Giants and Jets Agree to Share a New Stadium

By CHARLES V. BAGLI; RICHARD SANDOMIR CONTRIBUTED  
REPORTING FOR THIS ARTICLE. (NYT) 1379 words

Published: September 30, 2005

The Jets and Giants signed an agreement on Thursday to jointly build a stadium complex in the New Jersey Meadowlands, ending the Jets' long and tumultuous attempt to cross the Hudson River, first to a stadium on the West Side of Manhattan, then to a park in Queens.

In signing the agreement to share the estimated \$800 million cost of construction, the two teams became equal partners in the stadium complex, the first time in the history of the National Football League that two teams have sought to finance and build a stadium together.

For the last 21 years, the Jets have been tenants in Giants Stadium, a situation that they found humiliating; prompting the team to hunt for a new and lucrative home they could call their own.

They famously enlisted the support of Mayor Michael R. Bloomberg in a bruising battle to build the world's most expensive stadium, on a platform over railroad tracks on the West Side, but it ended in failure. A second attempt to move to New York, this time to Queens, was in its early stage.

But Thursday, Acting Gov. Richard J. Codey of New Jersey described the "historic agreement" between the teams as a boon for the Jets and Giants, for sports fans and for the people of that state.

Much to the relief of the Jets, the new stadium would no longer bear the name of the Meadowlands' first tenant, the Giants.

The naming rights will be sold to the highest bidder, with the teams sharing the revenue and using the latest in electronic and digital technology to create their own signs, messages, advertising and even coloring of the stadium on game days.

The owner of the Jets, Woody Johnson, said he would move the team's headquarters and training facilities to New Jersey from Hempstead, on Long Island, and continue to play in the Meadowlands Sports Complex in perpetuity.

The owners of the Giants, in turn, agreed to move their offices and practice field away from the stadium to a 20-acre parcel behind the nearby racetrack, to satisfy the Jets' insistence that the new stadium be neutral ground.

At a news conference at Giants Stadium with the owners of both teams on Thursday, Mr. Codey, who was directly involved in the negotiations, sat down at a table and with a flourish added his signature to an agreement making the Jets full and equal partners with the Giants in a deal to build the new stadium.

"The deal is now sealed," he said.

Mr. Codey said the deal would make New Jersey residents proud and generate tax revenues and jobs. But it will also require the state to provide 20 acres of land for the Jets training facility and 20 acres for the Giants, aside from the 75 acres on which the stadium complex will be built.

The team owners, however, have yet to settle some of the most thorny issues, including the size and shape of the stadium. In the

coming months, they plan to form a design team and develop a master plan for the project. In a key element of the partnership, the teams have agreed to send any issues on which they cannot agree to an arbitrator, most likely Paul Tagliabue, commissioner of the National Football League.

Carl J. Goldberg, chairman of the New Jersey Sports and Exposition Authority, said the stadium complex would be integrated into Xanadu, the \$2 billion shopping and entertainment center that will share the 750-acre property.

Despite the import of the announcement, the strain between the owners of the team was evident in their tight smiles and clipped comments.

John K. Mara, the executive vice president of the Giants, said he was "pleased" to enter into a partnership with the Jets, with another team owner, Steven Tisch, adding that he was looking forward to a "long-lasting relationship" with Mr. and L. Jay Cross, the Jets' president.

But Mr. Johnson in his remarks seemed more hesitant, saying it would "hopefully" be a great partnership and they would "hopefully" be able to present something wonderful to the teams' fans.

It was a bittersweet moment for Mr. Cross, who had struggled for five years to build a stadium for the team on the West Side of Manhattan before the project collapsed in June, as well as for some Jets fans who had hoped that the team would move back across the Hudson River to Queens.

John Puccio, co-founder of Bring Our Jets Home, a group that had worked with the Jets in recent months to build support for plans to build a \$1.35 billion stadium in Queens, said he felt like "a pawn in

a game to help the Jets gain leverage with New Jersey."

"The Jets wasted our time and broke our hearts," Mr. Puccio said.

The plans for a new football stadium come amid a gold rush of new sports palaces in New York and New Jersey, with roughly \$4 billion worth of new stadiums and arenas planned for the Yankees, Mets, MetroStars, Devils, Rangers, Knicks and now the Giants and the Jets.

The Giants have also had to come to terms with what will be a new era in the Meadowlands, where the team is no longer the unquestioned marquee tenant. It now has an equal partner.

Never before have two football teams set out together to finance and build a home. A decade ago, the N.F.L. considered building a stadium at Hollywood Park in Los Angeles for the Raiders and a new franchise. But the owner of the Raiders, Al Davis, ultimately walked away from the deal, moving the team back to Oakland, Calif.

Dean Bonham, a sports business consultant based in Denver, said it may be easier for two major brands like the Jets and Giants to form a partnership.

"The technological advances provide the opportunity to remake the stadium from the time one team plays to the other, in ways that range from the coloring of the stadium, to the messages, to the signage that is fixed on the building," he said. "It's still complicated. There will be an issue with fixed signage and concessionaires and how you deal with conflicting sponsors."

The stadium will have about 200 luxury suites and from 80,000 to 90,000 seats. The Giants had proposed stacking the glass-walled suites on the west side of the field, with all the premium, or club,

seats. But the Jets wanted to replicate the seating bowl of the existing stadium, with the suites ringing the stadium on the mezzanine level.

The teams said they would explore adding a retractable roof, although Mr. Codey said "the state will not pay one penny for it." The teams have also begun talking to the N.F.L. about getting up to \$300 million from the league's stadium-building program. The league provides teams with up to \$150 million each for construction.

But only a few days ago, it appeared as if there might not be a new stadium in the Meadowlands. The Jets announced that they were also pursuing a stadium in Queens and threatened to sue the sports authority if it tried to pursue a stadium solely with the Giants.

Mr. Codey set out to revitalize the Meadowlands when he took office almost 11 months ago, then got personally involved in the negotiations.

"I told them I would go ahead with the Giants," Mr. Codey said, "and if the Jets opposed it, we'd see them in court. That resulted in our meeting Tuesday night."

# **Great American Jobs Scam**

*Corporate Tax Dodging and the Myth of Job Creation*  
By Greg Leroy

## **LESSON SEVEN**

### **WAL-MART: The High Cost of Low Price**

#### **Great American Jobs Scam: Lesson #7**

#### **Wal-mart Movie**

#### **“WAL-MART: The High Cost of Low Price”**

#### **OBJECTIVES:**

Participants will be able to...

- Explain why Wal-mart’s treatment of their workers is problematic.
- Give examples of union busting techniques Wal-mart utilizes.
- Describe the effects Wal-mart has on local, small businesses.
- Establish the negative effects Wal-mart has on the environment.

#### **MOTIVATION:**

Negative press regarding Wal-mart has been all over the news lately. What are some of the damaging points you associate with Wal-mart? *Allow participants 5-10 minutes to share.*

#### **LESSON:**

The class will watch “**WAL-MART: The High Cost of Low Price**”.

Suggest that participants jot down points that they find the most disturbing or that were not aware of before viewing the movie.

**SUMMARY ACTIVITY:**

**TIME PERMITTING:**

Participants should share their reactions to the movie.

1. Did this movie change your view of Wal-mart?
2. How did this movie help to illustrate the points made in Greg Leroys's book?

# Great American Jobs Scam

## *Corporate Tax Dodging and the Myth of Job Creation*

By Greg Leroy

### LESSON EIGHT

#### Shifting the Burden

#### Great American Jobs Scam: Lesson #8

##### **OBJECTIVES:**

Participants will be able to...

- Establish a relationship between corporate tax breaks and a rise in lower and middle class income taxes.
- Evaluate the possible outcomes of negative tax rates/tax credits for corporations.

##### **MOTIVATION:**

Thus far we have discussed the effects of TIFs, SSFs, and EZs

Q: Based on what we've discussed, how will these tax breaks affect the communities that they take place in? *Discussion should lead to points made on lack of funding for schools, public services and an increase in taxpayer dollars.*

##### **LESSON:**

A recent study conducted by Congressional Research Services, a non-partisan facility, found that from the 1980's until 2002 there has been an overall decline of 28% in state taxes paid by corporations.

- Read and discuss some of the "stark examples" bulleted on pages 170-171.

Q: Where does all of this corporate tax dodging leave the people of the United States?

List and discuss the following:

*Why are corporate income taxes dropping so dramatically?*

- Professor Peter Fisher of the University of Iowa conducted a study on this matter.

- Using a computer model, he showed projections of major tax decreases with various tax breaks.
  - His studies found that corporate income taxes were disappearing in some states, with respect to new investment.
- Discuss negative tax rates and/ or tax credits, read first paragraph on page 174 (2<sup>nd</sup> paragraph in *Artful Dodgers: The Big Companies*).

### Corporate Tax Credits

- Four states have passed legislation that allows companies to sell tax credits.
- In Texas: 9 out of 16 industrial sectors receive tax credits
- In Iowa, Michigan and South Carolina: all 16 sectors have negative tax rates.
- In 2000, the governor of Alabama stated that this corporate practice was “cheating our children out of an education”.

Q: How much responsibility, do you think, should be placed on corporate tax breaks for failing schools?

Q: With a growing number of states handing out tax breaks, who is going to make up the difference? *Taxpaying citizens*

### ACTIVITY:

1. Refer to **Table 8.1**, *The Share of Income Americans Paid in All State and Local Taxes, 1989 and 2002*, on page 177
2. Have participants calculate the change each economic class of Americans pay in income tax by subtracting 2002 percentage from the 1989 percentage.
3. Have a discussion based on their findings, using the following questions to lead the conversation:
  - Which income groups had an increase? decrease?
  - Which groups had the largest increase? decrease?
  - What appears to be the relationship between an American’s income bracket and the percentage of salary that goes to taxes?
  - Why do you think poorer families have the biggest tax increases? *Least resistance, use more public assistance.*
  - How do you think these changes affect the “working families” view of the government? *Frustration/ apathy*

Address the following topic:

#### **How the government “cuts corners” on working families**

- Between 1979- 2003, real earnings for most wage salary work dropped by about \$10/ hour.
- 1979- 2003: Health care coverage dropped 57%- 69%, with more HMOs and increasing co-pays.

- In this time, retirement benefits have declined from 50.6% to 45.5%.
- This has led working class families to question **why** taxes are increasing while public services are decreasing.

**TIME PERMITTING;**

Discuss the following:

- Will this become a Federal problem? President Bushes tax cuts
- Big Business pull-out.

**SUMMARY QUESTIONS:**

1. The title of this chapter is “shifting the burden”- what is “the burden” and how is it being shifted?
2. What are some reformations that could ease the increase of the percentage of working class salary that is taxed?

# **Great American Jobs Scam**

## *Corporate Tax Dodging and the Myth of Job Creation*

By Greg Leroy

### **LESSON NINE**

#### **Building a New Consensus for Reform**

##### **Great American Jobs Scam: Lesson #9**

###### **OBJECTIVES:**

Participants will be able to.....

- Give a brief explanation about recommended reforms to various “job scams”.
- Explain possible long-term consequences that the infrastructure of America has suffered, and will continue to suffer, if these subsidies continue.

###### **MOTIVATION:**

Ask participants to think of one result of corporate tax subsidies that they’ve read and discussed in class. Have them then write down the problem and come up with a proposed solution. Then take 10 minutes to share and discuss.

###### **LESSON:**

###### **ACTIVITY:**

- Pass out the worksheet with the list of summarized reforms presented in chapter nine. [Lesson 9 Attachment]
- Have participants read through them and choose two reforms that interest them.
- Based on participant choices, assign each participant a reform to further explain (if necessary) and also to write a personal reaction to the reform.
- Participants will then be given 3 minutes to present their summarization and reaction.
- This should lead to short, class discussions on each reform.

**TIME PERMITTING:**

- Discuss long-term consequences of tax subsidies, by addressing some of the following questions:
  1. How could lack of funding for public schools and service affect America 25 years from now? Focus on skills and infrastructure.
  2. What are some of the concerns citizens have about retiring “Baby Boomers”? Focus on decline in labor growth and healthcare.
  
- Refer to the table created by the *American Society of Civil Engineers* [Table 9.1] on page 204, to further illustrate our country’s infrastructure trend.

**SUMMARY QUESTIONS:**

1. What are some other ways we can make improvements?  
*Focus on re-investment and taxing big business; also refer to the “bottom line” and workforce development.*

**Chapter 9**  
**ATTACHMENT**

**Chapter 9 Reform Summaries**

**Reform #1:** Annual public reports should be available that outline the cost and benefits of every subsidy deal made for specific companies. Also, require every publicly traded company to disclose the amount of taxes they paid to each state.

**Reform #2:** Corporations should be held accountable. Require a company to hold up its end of the bargain. If they don't meet their target in a given time, then taxpayers should be reimbursed.

**Reform #3:** If a company gets a subsidy, they should be required to pay a decent, full-time wage and healthcare.

**Reform #4:** Give state legislators an annual update with inventory for spending allotted to economic development. Is the spending proportionate to job development?

**Reform #5:** Give school board members a voting seat in any deal that diverts money away from schools.

**Reform #6:** Close corporate loopholes like the "Delaware Passive Investment Company" gimmick and "nowhere income".

**Reform #7:** Repeal the Single Sales Factor.

**Reform #8:** Register and regulate Site Location Consultants as lobbyists.

**Reform #9:** Require officials who are elected by taxpayers approve every subsidy.

**Reform #10:** If a state doesn't adopt *certain reforms*, then the United States Department of Commerce and Labor should withhold a portion of the states appropriation.

**Reform #11:** Improve support to older, urban areas and local merchants. Improve Public transit, school funding and environmental well-being. Some approaches include: requiring companies who get tax breaks to be accessible by public transit, regional sharing of sales and property tax revenues and no subsidies for "sprawlers".

**Reform #12:** Create negotiations between community coalitions and developers to assure that residents will benefit from the redevelopment of their neighborhoods.

