U.S. CHAMBER WATCH

# The U.S. Chamber’s Tax Repatriation Holiday

## Windfall for the CEOs of U.S. Chamber Member Companies, Not Jobs For American Workers


**A Report by U.S. Chamber Watch**
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Photo Source: Newsday, 2/4/11

# TAX REPATRIATION: ANOTHER SOP TO THE U.S. CHAMBER'S TOP MEMBER COMPANIES

## Executive Summary

The top officials of the U.S. Chamber of Commerce have named job creation as the top priority of the U.S. Chamber in 2011. Yet the policies it supports have consistently revealed this declaration to be nothing but empty words – time and again, the favored policies of the Chamber actually kill jobs, but allow the U.S. Chamber's top few member companies, and the CEOs of those companies, to benefit.

Recently the U.S. Chamber has again gone on record in support of a "tax holiday," which would allow multinational firms with foreign subsidiaries to repatriate earnings at much lower tax rates than the current corporate rate. Following the active lobbying of the U.S. Chamber, the United States enacted a similar repatriation "tax holiday" in 2004. This report examines the results of the 2004 experience, as well as the current debate. The facts show that far from creating jobs, tax repatriation merely allowed an outlet for Chamber member companies to offshore U.S. jobs and reap personal windfalls for their CEOs. In particular:

- Despite claims by the U.S. Chamber to the contrary, the tax repatriation holiday in 2004 did not create jobs in the United States. Instead, it created an estimated windfall of well over $250 million for the CEOs of U.S. Chamber companies who benefitted from stock buybacks after the repatriation.
- Of the top 105 companies that repatriated earnings, 22 have direct ties to the U.S. Chamber or its affiliates. These companies repatriated over $133 billion in earnings.
- Not only did repatriating companies not create jobs, some even cut jobs in the United States. Five of the U.S. Chamber-affiliated companies for whom jobs data is available repatriated over $16 billion in foreign earnings but cut over 70,000 American jobs.
- Research shows that 92% of overseas earnings repatriated by companies went to shareholders, mostly through stock buybacks. Such buybacks – which Warren Buffett called "foolish" – typically benefit only those shareholders able to capitalize on short-term impacts, often at the expense of investors interested in long-term growth and investment that leads to job creation.
- Since executive compensation is often either linked to measures inflated by buybacks or comes in the form of stock options, these stock buy backs have been have been called "backdoor compensation" for corporate executives.

- Many CEOs of U.S. Chamber companies who repatriated earnings and conducted stock buy backs executed stock options, thereby increasing their net worth.

## Overview

In his State of American Business speech in January, Tom Donohue, the President and CEO of the U.S. Chamber of Commerce, said that the "top priority" for the Chamber in 2011 "will be to turn an economic recovery into a jobs recovery so that we can put Americans back to work."[1] However, when asked what he would suggest corporate America do to put people back to work, Donohue appeared tongue-tied, then finally, revealingly, said the following: "I think the most important thing to tell a company is to return a reasonable return to their investors."[2] Perhaps that explains why the U.S. Chamber and its member companies support a temporary tax repatriation holiday for foreign earnings – a policy which was adopted in 2004, and did not create the jobs advocates said it would, but did create windfalls of over $250 million for the U.S. Chamber's key constituency – the CEOs of Chamber member companies who write the Chamber the biggest checks.

## The U.S. Chamber and the Tax Repatriation Holiday

As the economy struggles to create jobs at pre-recession levels, many ideas have surfaced about how to address the problem. One idea, championed by the U.S. Chamber, House Majority Leader Eric Cantor, and members of the recently-launched "Win America" coalition (a group that includes a number of U.S. Chamber member companies), is a so-called "tax holiday" for businesses.

The idea exploits a loophole in the tax code that allows companies to indefinitely defer taxes on profits earned by overseas subsidiaries until they are "repatriated" to the United States, where they are then taxed at the corporate rate of 35%. The U.S. Chamber of Commerce has said that the tax holiday is necessary in order to "to allow that money to be brought home and invested in the United States,"[3] arguing, "[t]his has been done before with good results. It could bring up to a trillion dollars back into our economy."[4] The American Jobs Creation Act, passed in 2004, "provided a temporary reduced rate for repatriated earnings, with the condition that the repatriated earnings be used for domestic investments,"[5] according to the Congressional Research Service. However, the empirical studies of the 2004 tax repatriation holiday offer stark evidence that the policy did not, in fact, create more investment in the United States; in fact, quite the opposite, leading commentators to wonder why the repatriation holiday would be

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[1] Tom Donohue, "State of American Business, 2011," National Chamber Foundation, 1/11/11. http://www.uschamber.com/press/speeches/2011/state-american-business-2011

[2] Dana Milbank, "Big Business is Back in Business," Washington Post, 1/12/11. http://www.washingtonpost.com/wp-dyn/content/article/2011/01/11/AR2011011106997.html

[3] Win America campaign, "Mission", accessed 4/7/11. http://www.winamericacampaign.org/

[4] Comment to "New Solutions to the Infrastructure Challenge by Tom Donohue," Free Enterprise, The U.S. Chamber of Commerce Magazine, Comment posted 4/7/11,

[5] Congressional Research Service, *Tax Cuts on Repatriation Earnings as Economic Stimulus: An Economic Analysis,* 1/30/09. http://www.policyarchive.org/handle/10207/bitstreams/19299.pdf

pushed as a solution to the current job crisis.[6] But a closer look at who *did* benefit from the 2004 repatriation holiday offers some insight into why the U.S. Chamber would promote such a policy now.

Of the 105 top repatriators in 2004, 21 have known financial ties to the U.S. Chamber (many others may, but because the Chamber is not required to disclose its list of contributors there is no way to know based on publicly available information). From the research, the conclusion is that 2004 tax repatriation holiday didn't create jobs, but did create incentives for companies to initiate stock buy backs, thereby increasing the earnings-per-share (EPS) ratio of their stock. Such buybacks typically benefit only those shareholders able to capitalize on short-term gains that result with little to no positive impact on long-term investment or job creation. Moreover, many of the executives of these companies benefited, either by cashing in stock options, or by getting bonuses that were pegged to the EPS ratio. Adding insult to injury, some of these companies who profited from the policy have actually *reduced* jobs in the United States while increasing jobs overseas since the 2004 repatriation.

**Background: Tax Repatriation Holiday in 2004**

In 2004, as part of the America Jobs Creation Act, the United States Congress passed a law that allowed multi-national corporations a one-year window in which to repatriate earnings from overseas subsidiaries to the United States at a tax rate of 5.25% a – much lower than the corporate rate of 35%.[7] The U.S. Chamber lobbied for that measure, writing a letter to Congress in support of the bill and its "repatriated earnings provision."[8] The *New York Times* later stated that the tax holiday "was sold to Congress as a way to spur investment in America, building plants, increasing research and development and creating jobs. It gave international companies a large one-time tax break on overseas profits, but only if the money was used for specified investments in the United States."[9]

However, despite the claims by the Chamber and other supporters of the repatriation tax holiday, the specified investments never materialized. According to a study released by the National Bureau of Economic Research,

[6] Katy O'Donnell, National Journal, "Despite Many Critics, Proposals for a 'Repatriation' Holiday Gain Support," 3/25/11. http://mobile.nationaljournal.com/budget/despite-many-critics-proposals-for-a-repatriation-tax-holiday-gain-support-20110325?page=1

[7] E-Commerce Times, "Senate Passes $136 Billion Corporate Tax Bill," 10/12/04. http://www.ecommercetimes.com/story/37259.html

8 U.S. Chamber of Commerce. Letter to Members of the United States House of Representatives. "Chamber Urges the Vote for H.R. 4520, The American Jobs Creation Act of 2004," 6/15/04. http://www.uschamber.com/issues/letters/2004/chamber-urges-vote-hr-4520-american-jobs-creation-act-2004

[9] *The New York Times.* "Tax Break for Profits Went Awry," 6/5/09. http://www.nytimes.com/2009/06/05/business/05norris.html

approximately 92% of the $299 billion companies brought back from overseas went to shareholders, mostly in the form of share buy-backs and the rest through increased dividends. According to Kristin J. Forbes of MIT, one of the co-authors of the study, ***"The restrictions on how the money will be spent seem to have been completely ineffective."*** [10]

As an example, Forbes cites Dell Computer, a U.S. Chamber member company. Writes Forbes, "Dell…lobbied very hard for the tax holiday. They said part of the money would be brought back to build a new plant in Winston-Salem, N.C. They did bring back $4 billion, and spent $100 million on the plant, which they admitted would have been built anyway. About two months after that, they used $2 billion for a share buyback."[11]

Other companies that repatriated earnings also cut jobs. The *New York Times* reported that PepsiCo, a U.S. Chamber board member, repatriated $7.5 billion in foreign earnings, yet was giving "pink slips to 200 to 250 employees in its Frito-Lay unit a few weeks before Christmas," in 2005.[12]

**The Debate Today**

Today, multinational corporations led by the U.S. Chamber are once again supporting a tax repatriation holiday. Mindful of the failure of the 2004 tax holiday to live up to what its proponents claimed it would do, the Obama Administration opposes it.

In a post on the U.S. Treasury Department's blog, Michael Mundaca, Assistant Treasury Secretary for Tax Policy, explained the Administration's opposition to the holiday, citing the experience of 2004. "In assessing the 2004 tax holiday, the nonpartisan Congressional Research Service reports that most of the largest beneficiaries of the holiday actually cut jobs in 2005-06 – despite overall economy-wide job growth in those years – and many used the repatriated funds simply to repurchase stock or pay dividends." Mundaca also referred to "narrow group of businesses" that were making the tax holiday a primary focus.[13]

House Majority Leader Eric Cantor opposes the administration on this issue. In a March 21, 2011 speech as Stanford University, Cantor released what he called a

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[10] *The New York Times.* "Tax Break for Profits Went Awry," 6/5/09. http://www.nytimes.com/2009/06/05/business/05norris.html

[11] Floyd Norris, *New York Times,* "Tax Break for Profits Went Awry, 6/5/09. http://www.nytimes.com/2009/06/05/business/05norris.html?_r=1&scp=1&sq=tax%20breaks%20for%20profits%20went%20awry&st=cse

[12] New York Times, editorial, "Postcards from a Tax Holiday," 11/12/05. http://www.nytimes.com/2005/11/12/opinion/12sat2.html?scp=1&sq=%22Postcards%20from%20a%20Tax%20Holiday&st=cse

[13] Treasury Notes. The United States Department of the Treasury Blog. "Just the Facts: The Cost of A Repatriation Tax Holiday," 3/23/11. http://www.treasury.gov/connect/blog/Pages/Just-the-Facts-The-Costs-of-a-Repatriation-Tax-Holiday.aspx

pro-growth economic program that included a tax repatriation holiday. He said, "I propose that we allow U.S. multinational companies to bring back almost $1.2 trillion in overseas profits at a lower tax so they can invest in our economy here at home."[14] According to the National Journal, the measure has some support in both the House and the Senate.[15]

The U.S. Chamber is a prominent and supporter of the tax holiday and has also pushed back against the administration opposition. David Chavern, the U.S. Chamber's COO wrote, that a tax repatriation holiday is "needed to address fundamental flaws in our corporate tax system." Chavern also spells out exactly why tax repatriation would never actually create investments in the United States – because there are too many incentives for the companies to keep profits overseas. Chavern argues, "The fact of the matter is that our current tax code provides every incentive for U.S. companies to never, ever repatriate monies earned overseas back to the United States. Why bring it back just to send a large chunk of it to the government? No other major economy taxes foreign earnings in this way. The better choice for any rational company would be to just leave it overseas and invest it there – creating jobs in other countries that should be created here."[16]

The U.S Chamber is also a member of the Win America campaign, a group of companies and trade groups joined together to promote a tax repatriation holiday. The Win America campaign, which also includes U.S. Chamber member companies Pfizer, Duke Energy, Kodak, and Microsoft, calls the repatriation tax holiday "an essential first step." Win America argues that with another stimulus unlikely and unemployment too high, "Providing American businesses with incentives to invest at home is a common sense solution that will immediately inject up to $1 trillion into our economy and provide businesses with the certainty they need to help get Americans back to work. The time to act is now. Let's invest the money here at home – not spend it there."[17] This sort of statement sounds good, but is contrary to the empirical evidence from the 2004 repatriation experience. That evidence shows that key U.S. Chamber contributors used the repatriated earnings not for investment and job creation, but to beef up their EPS ratio through buy backs.

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[14] House Majority Leader Eric Cantor, Speech Before The Hoover Institution, Stanford University, 3/21/11. http://majorityleader.house.gov/newsroom/2011/03/embargoed-leader-cantor-unveils-pro-growth-economic-plan-at-stanford-university.html

[15] Katy O'Donnell, *National Journal*, "Despite Many Critics, Proposals for a 'Repatriation' Holiday Gain Support, 3/25/11. http://mobile.nationaljournal.com/budget/despite-many-critics-proposals-for-a-repatriation-tax-holiday-gain-support-20110325?page=1

[16] Chavern, David, "False Choice," Chamberpost.com, 3/23/11. http://www.chamberpost.com/2011/03/false-choice/

[17] Win America campaign, "Mission", accessed 4/7/11. http://www.winamericacampaign.org/

**U.S. Chamber of Commerce Companies that Repatriated in 2004**

Of the top 105 companies identified by researchers Raquel Alexander, Susan Scholz, and Stephen Mazza of the University of Kansas as having repatriated earnings during the 2004 repatriation holiday , 20 have known ties to the U.S Chamber – either as a board member to the U.S. Chamber or one of its affiliated organizations, or as a contributor to the U.S. Chamber through membership dues. [18]

| Company | Relationship to the U.S. Chamber | Amount Repatriated |
|---|---|---|
| Pfizer | Chamber Board | $37,000,000,000 |
| Merck & Co | Chamber Contributor | $15,900,000,000 |
| Johnson and Johnson | Chamber and Chamber Institute for Legal Reform (ILR) Board | $10,800,000,000 |
| IBM | Chamber Board | $9,500,000,000 |
| Bristol-Myers Squibb | Chamber Contributor | $9,000,000,000 |
| Eli Lilly & Co | Chamber contributor | $8,000,000,000 |
| Pepsico | Chamber Board | $7,500,000,000 |
| Proctor and Gamble | Chamber contributor | $7,200,000,000 |
| Intel | Chamber Business Civic Leadership Center (BCLC) Board and chamber contributor | $6,200,000,000 |
| Motorola | Chamber BCLC Board | $4,600,000,000 |
| Dell | Chamber contributor | $4,100,000,000 |
| Honeywell International | ILR Board | $2,200,000,000 |
| Verizon | Chamber Board | $2,200,000,000 |
| JP Morgan Chase | Chamber Board | $1,900,000,000 |
| 3M | Chamber Board | $1,800,000,000 |
| Cisco Systems | National Chamber Foundation Board | $1,200,000,000 |
| General Electric | ILR Board | $1,200,000,000 |
| Microsoft | Chamber Contributor and BCLC board | $780,000,000 |
| Eastman Kodak | Chamber Board | $580,000,000 |

[18] Source for the repatriation data: Alexander, Raquel Meyer, Mazza, Stephen W. and Scholz, Susan, Measuring the Rates of Return for Lobbying Expenditures: An Empirical Analysis Under the American Jobs Creation Act April 8, 2009). Available at SSRN: http://ssrn.com/abstract=1375082; Sources for U.S. Chamber relationship, - US Chamber of Commerce Website, U.S. Chamber of Commerce and Chamber Affiliates Form 990's; Company Filings:

| Company | Relationship to the U.S. Chamber | Amount Repatriated |
|---|---|---|
| Caterpillar | Chamber Board | $500,000,000 |
| Duke Energy | Chamber Board | $500,000,000 |
| Nike | National Chamber Foundation Board | $500,000,000 |
| TOTAL REPRATRIATED BY U.S. CHAMBER COMPANIES | | $133,160,000,000 |

**U. S. Chamber Companies Repatriated Earnings but Cut Jobs in the United States**

Of the U.S. Chamber member companies that repatriated earnings after the 2004 law, five have domestic and foreign employment data on record: General Electric, Eastman Kodak, Honeywell, Eli Lilly, and Dell. Combined, these five companies repatriated a total of $16.88 billion. At the same time, these companies together have cut their employment in the United States by 70,950 jobs, while *increasing* their employment overseas by 73,400 jobs over the same timeframe. Only Dell increased domestic employment since the last repatriation, adding 6,000 jobs in the United States. Yet while Dell's job creation is the U.S. is laudable, over the same span Dell created 33,100 jobs overseas. Eastman Kodak reduced its domestic employment by 19,600 and decreased foreign employment by 16,400. Honeywell cut 7,000 domestic positions while adding 28,000 foreign jobs. Eli Lilly dropped 6,350 jobs in the United States and added 200 foreign jobs. General Electric paints perhaps the most vivid example, having slashed 32,000 jobs domestically while creating 12,000 overseas.

**U.S. Chamber Companies: Repatriation v. Job Creation[19]**

| Company | Chamber Relationship | Amount Repatriated | Change in Domestic employment 2004-2010 | Change in Foreign Employment, 2004-2010 |
|---|---|---|---|---|
| General Electric | ILR Board | $1,200,000,000 | -32,000 | 12,000 |
| Eastman Kodak | Chamber Board | $580,000,000 | -19,600 | -16,400 |
| Honeywell | ILR Board | $2,200,000,000 | -7,000 | 28,000 |
| Eli Lilly | Chamber contributor | $4,100,000,000 | -6,350 | 200 |

[19] Employment data for each company obtained from their 10-Ks filed with the Securities and Exchange Commission and made available to the public through their EDGAR database online at http://www.sec.gov/edgar/searchedgar/webusers.htm

| | | | | |
|---|---|---|---|---|
| Dell | Chamber contributor | $8,000,000,000 | 6,000 | 33,100 |

**U.S. Chamber Companies Used Repatriated Funds for Stock Buybacks Benefiting Top Executives**

As reported by the *New York Times*, a study released by the National Bureau of Economic research in 2009[20] illustrated that 92% of the earnings repatriated under the 2004 tax holiday ended up going to share buy-backs and dividends, with the effect of significantly benefiting the top executives of these multinational companies. As BusinessWeek reported in 2006, many companies use stock buybacks in order to "sop up" the shares that companies "were simultaneously issuing for employee stock options". Joseph Osha, an analyst at Merrill Lynch & Co, called these buybacks "backdoor compensation" for employees.[21]

Stock buy-backs help executives in two ways. First, they reduce the number of shares outstanding, which increases the earnings per share ratio, a metric that some companies use to determine bonuses for key executives. Second, stock buy-backs can inflate the stock price of the company, thereby increasing the incentive for executives to exercise stock options.

**Buy-backs: Inflating Profits and Juicing Compensation**

When a company engages in a share buy-back, it will mechanistically boost earnings per shares (EPS) – total earnings divided by total shares outstanding – regardless of whether it creates any real value for shareholders. This is how it works: a company nominates a broker to buy its shares in the stock market. The shares are generally then cancelled (occasionally they are held in Treasury stock, which for purposes of the discussion here has the equivalent effect on outstanding shares). In this way, the company's shares – representing a share of the profits as well as a share in the ownership – are then distributed less widely, i.e., the denominator of the earnings per share fraction is smaller, so the fraction is larger.

BBC News noted that according to investment guru Warren Buffett, "'Most of the repurchasing in recent years was foolish,' … adding that companies tended to pay too much and the practice almost always destroyed value." Similarly, according to research by McKinsey & Company,

> *Companies shouldn't confuse the value created by returning cash to shareholders with the value created by actual operational improvements*

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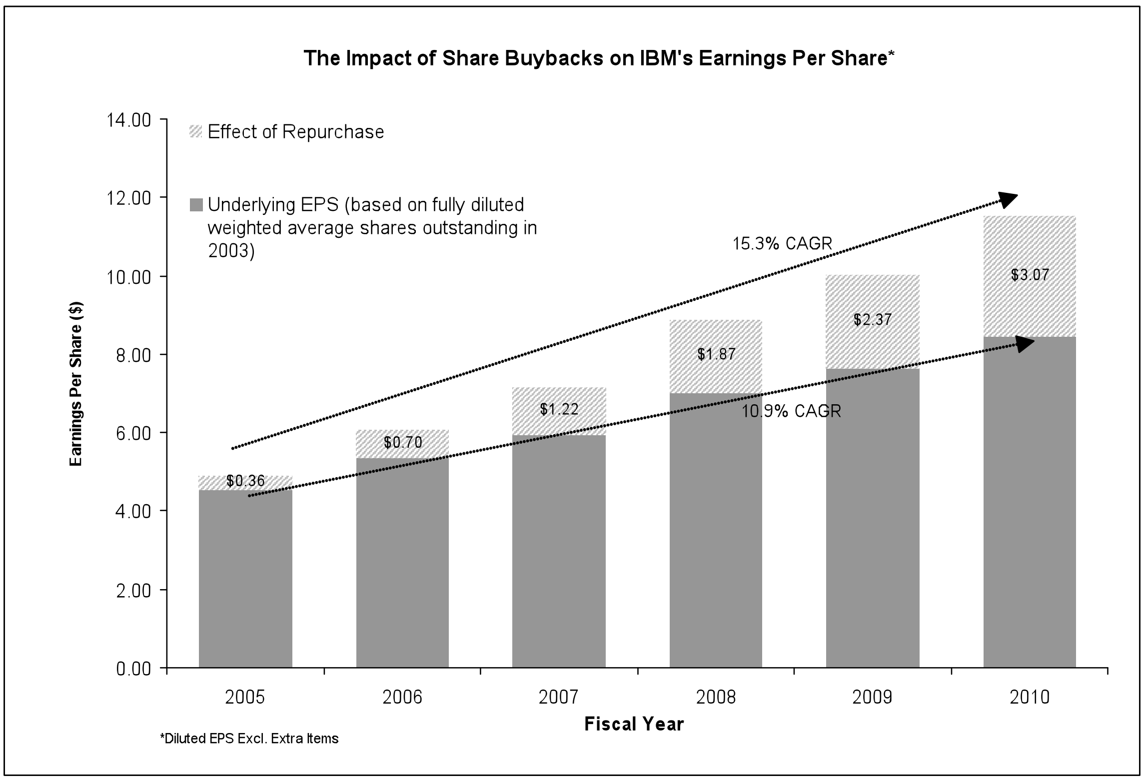
[20] Floyd Norris, *New York Times,* "Tax Break for Profits Went Awry, 6/5/09. http://www.nytimes.com/2009/06/05/business/05norris.html?_r=1&scp=1&sq=tax%20breaks%20for%20profits%20went%20awry&st=cse

[21] *Business Week*, "The Dirty Little Secret About Buybacks," 1/23/06. http://www.businessweek.com/magazine/content/06_04/b3968099.htm

*… while the increases in earnings per share that many buybacks deliver help managers hit EPS-based compensation targets, boosting EPS in this way doesn't signify an increase in underlying performance or value. Moreover, a company's fixation on buybacks might come at the cost of investments in its long-term health.* [22]

Such concerns led the The *Financial Times* to conclude in 2007 that, “[a] substantial number of buy-backs are, collectively, destroying billions in shareholder value through ill-judged decisions.”[23] Thus, contrary to the stated intent of the 2004 holiday, repatriating earnings at the lower tax rate seems to have done nothing to incentivize job creation or investment in the United States, and in fact may have had an overall negative impact on long-term investment in American companies by incentivizing value-destroying buybacks. With empirical evidence suggesting such a negative impact on investment and job creation, a closer look at the impact on known U.S. Chamber companies offers insight into why the Chamber is championing a repatriation holiday again.




IBM, a U.S. Chamber board member that repatriated $9.5 billion in foreign earnings, uses EPS in calculating both its long and short-term compensation,

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[22] McKinsey & Company, “The value of share buybacks,” 2/17/2006. http://www.uic.edu/classes/actg/actg516rtr/Readings/Markets/The%20value%20of%20share%20buybacks.htm

[23] *Financial Times*, ‘Ill-judged buy-backs destroying share value,” 12/15/2007. http://www.ft.com/cms/37f6821a-aa9d-11dc-a779-0000779fd2ac.html

with an especially heavy focus in long-term payments. For Long Term Incentive Plan (LTIP) awards made by the company in 2004, covering the performance period 2004-2006, the performance stock units were earned based on achieving cumulative financial goals measured by EPS (weighted at 80 percent) and cash flow (weighted at 20 percent).[24] Although the company notes that, in setting the undisclosed targets for EPS under the LTIP program, it takes into account the impact of buybacks, it does not disclose how the items are factored in.[25]

As can be seen in the table above, IBM's reported EPS grew at 15.3% compounded annual growth basis, from 2005 to 2010, but would have been a far more modest 10.9%, without the billions spent on in buy-backs. The cumulative estimated effect of buybacks accounts for $3.07, or around one-quarter, of the IBM's 2010 EPS of $11.52.

**Options: Cashing in on the Short-Term Effects of Buybacks**

A buyback may also have the effect of increasing short-term stock prices – there are fewer shares to divide the wealth of the company, so the stock price may be higher. Current shareholders, including executives, then stand to benefit, particularly if they sell their shares within a short period of time after the buyback. It is interesting to look at executives at companies engaged in buybacks who exercised stock options in the years following the repatriation funds. For example, during 2005 and 2006, Cisco spent $18.5 billion to buy back company stock. During this period, Cisco's CEO John Chambers exercised 10.4 million in stock options, realizing over $131 million in value from the exercise of these vested options. Dell's CEO also saw an increase of $36 million in value in a single year following stock buyback.

Another CEO, Jeffrey Immelt of General Electric, which cut its domestic workforce by 32,000 between 2004 and 2010 while repatriating $1.2 billion in earnings, also benefitted from exercising stock options in the years following in the repatriation tax holiday. In 2005 and 2006, roughly the window of the tax holiday bought back $17.38 billion in shares of its own stock. Immelt exercised

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[24] A similar reliance on EPS was used in other grant periods as well, including the prior two grant periods. For the 2002-2004 period, 73% of the performance stock units were earned, with a payout of $1.7 million. Based on the Company's performance for the 2003-2005 period, 125% of the performance stock units were earned, for a payout of $4.2 million. Disclosure for later periods, when SEC rules on reporting requirements changed, make it difficult to calculate the value of LTIP payouts, though compensation for IBM's CEO, Mr. Samuel Palisano, continued to climb**. [**Source for IBM data: obtained from their DEF14As filed with the Securities and Exchange Commission and made available to the public through their EDGAR database online at http://www.sec.gov/edgar/searchedgar/webusers.htm]

[25] IBM notes, "Disclosure of each of the three-year performance period targets would show our view of future cash flow targets which could put us at a competitive disadvantage for M&A negotiations. The disclosure also would signal to our competitors the timing of large capital investments or acquisitions based on our view of the market." *See* IBM Form DEF14As filed with the Securities and Exchange Commission and made available to the public through their EDGAR database online at http://www.sec.gov/edgar/searchedgar/webusers.htm

162,000 options in FY2005, realizing a value of $3,821,450 and another 162,000 options in FY 2006, realizing a value of $3,097,586. In total, in the two years following the passage of the repatriation tax holiday, Jeffrey Immelt realized gains $6.9 million through his option exercises.

Below are other CEOs who also significantly increased their net worth via the exercise of stock options following the repatriation period.

| Company | CEO | Value Realized Options Exercised in 2005 | Value Realized Options Exercised in 2006 |
|---|---|---|---|
| Cisco | John T Chambers | $ 61,329,110 | $ 69,674,752 |
| Motorola Solutions | Gregory Brown | $ 3,585,395 | $ 3,988,352 |
| Pfizer | Henry McKinnel | $ 6,240,414 | $ 4,845,937 |
| Eli Lilly | Sidney Taurel | $ 9,019,113 | $ 3,189,738 |
| 3M | James McNerney | $ 32,360,725 | 0 |
| Dell | Kevin Rollins | $ 36,345,441 | 0 |
| IBM | Samuel Palmisano | $ 9,451,615 | $ 5,353,823 |
| General Electric | Jeffrey Immelt | $3,821,450 | $3,097,586 |

It is important to note that there are legitimate reasons for initiating share buybacks, and that executives cashing in on options do not mean the buyback was initiative solely for their benefit. Yet in the context of the present debate on repatriation, it does appear that CEOs and shareholders take advantage of the short-term effects of buybacks, while those interested in long-term investment (say, in new plants or research and development) and job creation see no benefit from buybacks.

**The U.S. Chamber Supports a Tax Holiday Not To Create Jobs but To Increase the Income of Top Executives of Multinational Corporations**

The U.S. Chamber advocates a tax repatriation holiday on because it suggests it would create jobs domestically, but in fact created windfalls for executives of U.S. Chamber companies. As the research shows, 92% of the repatriated earnings went not to investing in jobs in the United States, but to short-term oriented shareholders, mostly in the form of stock buy backs. But for long-term shareholders and the general welfare of society, buybacks offer little. They use up cash that could be spent better elsewhere: on research and development that brings a new product to market or other capital expenditures that actually *would* create jobs and promote long-term growth. What the repatriation did accomplish was to incentivize share buybacks that generated windfalls of more than $250 million for the CEOs of the U.S. Chamber companies that repatriated income. So, when the U.S. Chamber declares that a tax repatriation holiday is part of a larger jobs agenda, it obscures why it really supports the policy – more money for corporate insiders who run the large companies that fund the U.S. Chamber.