

Tax Disclosures in Sustainability Reports

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There is a gap between corporate practice and sustainable aspirations regarding taxation. Many multinational corporations engage in tax avoidance and minimization practices depriving governments of resources to meet sustainability goals. Firms have considerable leeway in deciding which issues to discuss in sustainability reports. A review of tax related discussions in sustainability reports of Fortune 500 firms concludes that few firms talk about tax policies instead detailing economic impacts of taxes paid and social impacts of tax-supported programs. The dissemination of the socially responsible narratives surrounding taxes contributes to a shift in corporate norms from a compliance to a contribution mindset.

INTRODUCTION

Sustainability reporting continues to develop into a coherent and comprehensive reporting system. The Global Sustainability Standards Board (GSSB, 2020) has issued standards to report on the economic, environmental and/or social impacts of corporations. As GRI 101 explains, “sustainability reporting is an organisation’s practice of reporting publicly on its economic, environmental, and/or social impacts, and hence its contribution – positive or negative – toward the goal of sustainable development (GSSB, 2020). Topics discussed in sustainability reports are supposed to reflect societal concerns and the concerns of stakeholders. Bird and Davis-Nozemack (2018) explain that Corporate Social Responsibility (CSR) and sustainability are complementary but not the same thing. CSR is primarily concerned with engagement from the firm’s point of view whereas the primary emphasis of sustainability is the “preservation of resources impacted by firm activity” (Bird and Davis-Nozemack, p. 1013). Furthermore, taxes play a vital role in the achieving SDG’s, the United Nations Sustainable Development Goals to achieve a better and more sustainable future. Achievement of many of the SDG goals depends critically on government and corporate investment and support (SDG, 2020).

Much of the conversation about taxes and sustainability focuses on the practice of corporate tax minimization/avoidance. A number of U.S. based multinational firms are successful in shifting their tax burdens to low tax countries or avoid paying taxes altogether using mechanisms such as profit shifting, transfer pricing, and tax inversions. There has been considerable concern about the ambiguous morality of corporate tax avoidance practices (Reiter, 2016). Various parties argue that tax avoidance is immoral because it violates a corporation’s obligations to the state and to conduct business in a transparent manner. The consequences of tax avoidance include states not having funds to fulfill social obligations, shifting of the tax burden to less well-off taxpayers and promotion of tax havens and concealment practices that are used for other illegal purposes (Dowling, 2014, p. 179). Counter arguments are that tax avoidance is profitable for a number of parties, preserves funds for corporate purposes, conflicts with responsibilities to shareholders, and is consistent with social aversion to paying taxes (Dowling, 2014, p. 180).

Bird and Davis-Nozemack (2018) detail the effect of corporate tax avoidance on three common resources. Tax avoidance affects the social commons by depriving governments of the resources need to maintain vital infrastructure and services. Tax avoidance erodes the regulatory commons - which is the set of mutual expectations, behavioral norms, and shared understandings between firms and regulatory authorities. Tax avoidance also erodes the organizational commons of internal trust and integrity. However, as detailed by Anesa, et. al. (2018), corporate tax avoidance / minimization is largely regarded as legitimate in the corporate world. It is a legal way of reducing expenses. This “tax as a cost” perspective holds that if corporations pay less taxes, they can make more investments that benefit society. The opposing narrative, the “tax as a contribution” perspective, is that taxes allow the production of more social services to the betterment of society.

Sustainability Reports reflect how organizations view their economic, social and environmental impacts. Therefore, it is important to examine how corporations talk about taxes in their sustainability reports. To what extent do the reports focus on taxes or tax policy? What aspects of taxes are considered important enough for firms to mention in sustainability reports? How do firms appear to see taxes as part of their economic and social contribution? From a sample of 328 publicly available 2018 annual reports of Fortune 500 firms (not all Fortune 500 firms are publicly owned and traded), 218 published reports are identified that can be characterized as Sustainability Reports. Sustainability-type reports are voluntary and firms don’t necessarily publish these reports every year so the matching reports come from 2015 to 2018. Various titles include Sustainability Report, Sustainable Impact Report, Sustainability Progress, Working Toward Sustainability, Corporate Responsibility Report, Corporate Social Responsibility Report, Global Citizenship Report, Global Responsibility Report, Corporate Citizenship Report, Corporate Citizenship Overview, Citizenship Report, Health for Humanity Report, Building America Report, Responsibility Highlights, Environmental, Social and Governance Report, and more. KPMG’s survey of corporate responsibility reporting (2017) indicates that 75% of a sample of the largest 100 firms from 49 countries provide sustainability reports but our sample contains many domestic U.S. firms that are smaller than the KPMG sample so finding that two-thirds of companies issue sustainability-type reports seems reasonable. To understand how corporations view taxes as a sustainability issue, we detail mentions of taxes in the sample sustainability reports. Example disclosures are quoted to give the best sense of the corporations’ narrative about taxes.

TALKING ABOUT TAXES

Only forty-seven of the 218 reports address issues related to taxes in a substantive way. Another forty-five reports mention taxes in the context of discussing financial results such as calculations for non-GAAP disclosures or risk analyses provided because of forward-looking statements in the reports, but taxes are not a real topic of discussion. Given the widespread concern about corporate tax policies and payments, is this low percentage (21.5%) surprising? Not really, when you consider the goals of sustainability reporting. The focus of sustainability reporting is on topics that are material for each organization. They are not meant to be comprehensive reports that cover a prescribed list of topics. Each organization determines which topics they deem to be material and therefore the subject of discussion in the reports.

The issue of materiality for sustainability reporting is complex. In financial accounting, materiality evaluations focus on economic decision-making by investors. Sustainability reports need to consider a wider range of impacts and a larger group of stakeholders (GRI 101). Materiality assessments should be informed by an understanding of stakeholder’s concerns -both stakeholders internal to the organization such as employees and shareholders and external stakeholders such as suppliers/customers, communities, vulnerable groups and civil society (GRI 101). The suggested matrix for prioritizing issues by materiality has “influence on stakeholders’ assessments and decisions” as the Y axis and “Significance of economic, environmental and social impacts” as the X axis. The impact of issues on the organization itself is not the direct concern in this analysis, rather it focuses on external effects.

Here is an example of a materiality analysis from Intel’s 2017 Corporate Responsibility Report:

We use a range of methods and inputs to identify priority topics and emerging issues from our stakeholders.

SOURCES: • CSR online and social media channels • ESG investor outreach meetings • Results of community advisory panels and surveys • Customer data requests and survey data • Employee open forums and surveys • Meetings with governments • Human rights impact assessment and ethics and compliance processes • Research on external standards, trends, and frameworks

ISSUES IDENTIFIED: Topics and concerns raised by our stakeholders include those related to our business, such as financial performance, business strategy, taxes and incentives, political accountability, human rights, and data security. Stakeholders also raise topics related to the environment, including climate change, water conservation, air emissions, materials and chemical usage, and biodiversity. Other issues of concern for stakeholders relate to our supply chain, including conflict minerals, forced and bonded labor, and supplier audits; diversity, including LGBTQ rights and pay equity; and social impact, including support for youth technology skills, and community engagement (Intel, 2017, p. 20).

In the resulting materiality matrix, taxes have “high medium” levels of stakeholder concern “low medium” impact on Intel’s business and external systems. There are a number of issues with presumably higher priority for discussion which fall into the high impact quadrant. As a result, Intel talks only in a brief and general way about taxes as part of its economic impact:

Economic Impact

We provide high-skill, high-paying jobs at Intel sites around the world. We also impact economies through our sourcing activities, consumer spending by our employees, and tax revenue. In addition, Intel makes sizable capital investments and provides leadership in public-private partnerships to spur economic growth and innovation. Our investments in education and digital skills training also help communities and countries advance economic development and improve competitiveness (Intel, 2017, p. 11).

When taxes are considered to be a material issue, what should organizations disclose? The GSSB has recently (2019) issued a disclosure standard for taxes (if the organization deems taxes to be a material issue) which goes into effect in 2021. GRI 207 lays out the rationale for including taxes in an evaluation of sustainable development impacts. “Taxes are important sources of government revenue and are central to the fiscal policy and macroeconomic stability of countries” (GRI 207). In addition, taxes play a vital role in achieving the SDG Goals set out by the United Nations in 2015. “The Sustainable Development Goals are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere” and there is a commitment to achieve them by 2030 (SDG, 2020). Taxes are also a key way that organizations contribute to the economies of the countries in which they do business. The standard focuses on compliance, tax policy, and transparency of disclosures. Organizations must discuss their tax strategy and the details of governance and control over tax policy. They must detail their management of stakeholder concerns and their interactions with tax authorities, including public policy advocacy and lobbying on tax issues. The tax disclosures must also include country by country information on activities, employees, taxes paid and the difference between tax expense and cash payments. This information is currently required by the IRS from large corporations, but the disclosures are not public (IRS Country-by-country Reporting). Country by country information that details both business activities and cash taxes paid would disclose how companies engage in tax avoidance which is often difficult to identify because of the lack of transparent disclosures.

The tax disclosures in the 2015-2018 Sustainability Reports are not as detailed or comprehensive as will be required under GRI 207. One reason is that GRI 207 is oriented toward multinational corporations and many of the Fortune 500 firms in this study are purely domestic corporations for which multinational tax policy is not an issue. Even when GRI 207 is in effect, social responsibility reporting is voluntary, compliance with the GRIs is voluntary and each organization decides the material issues that will be covered in its reports. Descriptions and examples of the types of tax disclosures in the sustainability reports are provided in the following sections on corporate tax policy, taxes and civic engagement, economic impact, social investments, effects of the Tax Cuts and Jobs Act, and tax-supported employee benefits.

Corporate Tax Policy

The disclosures in the sample Sustainability Reports which bear the most resemblance to the GRI disclosures relate to Corporate Tax Policy. Thirteen of the reports refer to a corporate tax policy although only several of them discuss their tax policy in detail in the sustainability report. Some reports give an abbreviated version of their tax policy. For example, Procter & Gamble says that “Consistent with the law and international norms, we believe tax should follow business substance and that profits are generated where key business activities take place. P&G is committed to the highest level of tax compliance. In doing so, we observe and adhere to the tax law, the underlying tax policy intent, and the disclosure and reporting requirements” (Procter & Gamble, 2016). Other companies refer to detailed tax policies which can be found elsewhere. For example, Johnson and Johnson’s (2017) Health for Humanity Report states:

In 1943, we adopted Our Credo, which guides how the Johnson & Johnson Family of Companies around the world conduct business. The third paragraph of Our Credo focuses on our community responsibilities as corporate citizens. We take these responsibilities very seriously, including paying our fair share of taxes, among them corporate income taxes, employment tax, social contributions, import and customs duties, and indirect taxes. Our commitment to these responsibilities is embodied in our Tax Policy Statement, which states that we ensure the tax results for all of our global entities are properly reported in accordance with applicable laws, rules and regulations (p. 109).

An example of a comprehensive discussion of tax policy is in Phillip Morris International’s 2017 Sustainability Report. The Phillip Morris policy touches all the bases now required by GRI 207 – a statement of tax policy and approach to taxes that is consistent with sustainable development, descriptions of governance structures and procedures related to tax policy compliance, and descriptions of transactions with tax authorities:

PMI Tax Policy

Our Approach to Corporate Tax

PMI is committed to conducting business in compliance with all applicable tax laws, and it has established tax standards intended to ensure compliance with those laws. Legal obligations and societal expectations require that our transactions are based on sound tax strategies and that we act in good faith in all dealings with tax authorities and other stakeholders.

Our approach to tax is based on the following:

- We comply with local rules and regulations;
- Business decisions are not determined by tax considerations alone;
- We pay tax commensurate with the activities we perform and substance we have in a particular country;
- We are open and transparent with tax authorities in the countries where we do business;

- We do not engage in aggressive tax planning, and we do not have in place any contrived tax structures; and
- We do not operate “letter box” companies.

PMI has implemented governance arrangements which set out clear accountabilities for the management of tax compliance risks and tax planning.

PMI’s tax strategy is to maintain a comprehensive, effective, and practical risk management program, shared best practices, a structured and documented control framework, appropriate planning, and coordinated decision making.

To achieve this objective, we have developed mandatory practices which include:

- Roles and responsibilities: Clear definition of roles and responsibilities are formalized in each PMI affiliate in accordance with PMI’s Tax

Compliance Program

- Escalation and involvement of PMI Tax Department: In accordance with PMI’s policies, PMI affiliates consult with the PMI Tax Department on all important transactions, including recurring or new transactions, business structures or operations with other PMI affiliates or unrelated parties, and determine positions, exposures or actions regarding material, non-routine tax or customs matters. Where there is sufficient uncertainty over the tax treatment of a particular transaction or there is a potentially significant impact, external advice is obtained.
- Tax reporting and procedures: PMI’s Tax Standards and Guidelines are designed to ensure that effective and predictable tax compliance and control measures are in place. In accordance with these policies, all tax filing obligations must be accurately completed on a timely basis and in accordance with applicable laws and regulations.
- Documentation and tax records:

In accordance with PMI’s policies, PMI affiliates are responsible for the appropriate creation and retention of all relevant tax records.

- Monitoring and reviewing business activities: Business structures and transactions are continually monitored and reviewed by all PMI affiliates for tax compliance.

Dealing With Tax Authorities

PMI conducts all transactions on an arm’s-length basis in accordance with current OECD principles, and we support greater transparency between tax payers and tax authorities.

When it is relevant and feasible, we have upfront conversations with tax authorities in the countries where we operate to minimize uncertainty on both sides.

For example, tax rulings do provide a higher level of certainty not just for us but also for the tax authorities. However, tax rulings are not the only means of securing transparency and certainty. For example, in Australia we are part of the Lead Relationship Manager Program, and in the Netherlands we joined the Horizontal Monitoring Program.

Both programs promote ongoing and transparent relations between tax payers and tax authorities. In the U.K., PMI interacts in an open and real time manner with Her Majesty’s Revenue and Customs (HMRC), and we conduct an annual Business Risk Review with HMRC at which key tax issues and business changes with a potential U.K. tax impact are discussed (Philip Morris International, 2017, p. 29).

Taxes and Civic Engagement

Not many corporations talk about corporate tax policy or present disclosures about taxation in a way that corresponds with GRI 207. However, they talk about taxes in a number of other contexts. Organizations disclose their activities designed to influence tax and other regulatory policies. They talk about direct lobbying efforts and about their transactions with trade associations which may lobby regulators and make political contributions. Influencing tax policy is one of the goals of lobbying activity. For some organizations, this comes under the heading of civic engagement. Thirty-one of the sustainability reports in this study talk about their direct lobbying activities and/or involvement with trade associations involved in lobbying in relation to topics of interest including tax policy. For example, Xerox (2017) talks about both lobbying and trade associations. Lobbying is presented as a form of public policy or civic engagement. Corporations argue that they are educating lawmakers and regulators and thus providing a public service:

Public Policy Engagement

Xerox has a longstanding tradition of civic engagement. Our involvement in the political process and global public policy debate is a natural extension of our core values. We work with governments, others in our industry and the broader business community to advocate for public policies that support our business goals.

On issues for which our experience and knowledge add an important perspective to public debate, we seek to educate policymakers, both directly and indirectly, through various coalitions and trade associations. Through the Office of Global Government Affairs, we have interactions with governments and governmental organizations throughout the U.S. (at federal, state and local levels) and around the world. We engage on issues that range from legal, trade, tax policy and financial activities to regulatory compliance, intellectual property and government procurement.

Professional Organizations and Associations

Trade associations around the world play an important role in assisting our company with business development opportunities and citizenship activities, as well as in helping us meet certain public policy objectives. We are a member of a wide array of trade associations. Any trade association dues, or portions thereof, that are not deductible for tax purposes are reported in our lobbying disclosure reports (Xerox, 2017, p. 107).

Citigroup and Andeavor also maintain that their direct and indirect lobbying activities, which involve shaping tax policies, promote the best interests of the “company, clients and employees in the countries and regions where we operate”:

Public Policy

We engage directly, and indirectly through trade associations, with governments and elected officials around the world to advocate public policies that support the interests of our company, clients and employees in the countries and regions where we operate. In 2017, guided by our Political Activities Statement, which ensures compliance with all applicable laws and regulations, we promoted policies and positions on issues such as trade, cyber security, data localization, tax and financial reforms. Our Government Affairs team members complete annual compliance training, conducted by outside experts, on campaign finance, lobbying and gifts/entertainment rules.

Under U.S. Federal Election Commission rules, Citi’s Political Action Committee pools the voluntary contributions of eligible employees to support U.S. political candidates and campaigns that support the financial industry and complementary pro-business policies. This support allows us to take an active role in our country’s political process, promote our

business goals and strengthen relationships with U.S. policymakers (Citigroup, 2017, p. 23).

Andeavor Advocacy and Public Policy

Andeavor operates in a highly regulated and often politicized environment. As legislators and regulators consider issues related to the energy sector, we believe it is our responsibility to advocate for sound policies and actively engage in the political process.

Andeavor's Policy Principles are informed by our Shared Value approach and guide both our priorities and engagement with policymakers. Our current policy priorities are refinery safety, fuel standards, environmental and climate issues, tax and energy infrastructure.

To support our advocacy efforts, we make political contributions to individual candidates, committees, campaigns and organizations. In doing so, we always comply with all applicable federal, state and local reporting requirements. In 2017, Andeavor made \$1.6 million in corporate political contributions, which we report in the interest of good governance and transparency on our website listed below. We believe civic engagement is important and offer eligible employees the opportunity to engage in the political process through our political action committee (PAC). The Andeavor PAC contributed \$208,000 in 2017 (Andeavor, 2017, p. 21).

Other political activities of organizations appear to have a more societal as opposed to self-interested motive. For example, Devon Energy (2018) states that “(w)e have a responsibility to our diverse stakeholder groups to participate in public policy discussions about issues that affect our business and the economy, such as taxation, regulation, trade and jobs. As they explain their involvement with Step Up Oklahoma:

Step Up Oklahoma

Perhaps our most important political activity is focused not on business, but on our community and our neighbors. For example, in 2017 Devon participated with business, civic and community leaders that formed Step Up Oklahoma, a nonpartisan group seeking to resolve the state's short-term budget crisis and achieve long-term reforms of government operations. The bold proposal would generate \$800 million in new revenue in the first full year to fund teacher pay increases, statewide health care programs and other core state services. More than \$130 million of the new revenue would come from higher oil and natural gas production taxes. We supported the reforms and revenue measures, and as we encouraged our peers, neighbors, families and friends to do the same, we heard new conversations about our state's financial and operational problems and how best to fix them (Devon Energy, 2018, p. 48).

ADP describes its efforts to help the government with tax compliance. Its “Code of Business Conduct & Ethics explains that, ‘At times, ADP works with lawmakers and government agencies regarding policy and legislation that may affect the manner in which we conduct some aspects of our business, including the areas of payroll services, human resources services, health care administration services and professional employer organization services.’” They cite examples related to tax filing:

As the largest single source of U.S. tax payments and employment tax reports, ADP has developed substantial expertise in tax administration and many other areas of employment-related administrative matters. We contribute to sound government policy by educating policymakers and government agencies as to feasible policy and systemic alternatives in areas where we have substantial subject matter expertise. For example, to help mitigate the rise of income tax “refund theft,” ADP worked closely with the IRS to pioneer and pilot a new IRS Form W-2 “verification code,” which enables the IRS to independently validate

W-2 data reported on individual income tax returns, and we advised congressional tax-writing staff as to the feasibility of earlier submissions of employer W-2 reports. Similarly, ADP actively supports electronic filing programs to improve accuracy and efficiency of government tax collections (ADP, 2018, p.26).

Economic Impact

The economic impact of taxes paid by corporations is a frequent topic of discussion. MGM Resorts International (MGM, 2017) has a particularly detailed disclosure about the economic impact of its properties. Thirty-six reports in the sample provide disclosures about their economic impact, particularly through taxes. Many of these firms are in the extractive and energy industries, so may have political reasons to emphasize the tax benefits of their operations. For example, MGM Resorts (gambling industry) provides very detailed information on the impact of its operations, which include the payment of taxes:

Investing Locally

Our properties fuel thriving communities wherever we operate. We develop relationships with government, civic and community leaders and work with suppliers and vendors that spur local economic development. We operate in six states and two countries, creating jobs, stimulating economic development and generating critical tax revenue that supports community institutions and services. We also care for our communities, giving generously to and volunteering with nonprofit organizations that provide a host of human services, such as feeding the food-insecure, improving public education, teaching job skills and sustaining our planet.

Powering the Economy

MGM Resorts is an economic engine, generating more than \$20 billion in domestic economic output in 2017. Over the past five years, our contributions totaled \$90.6 billion. When we hire employees, pay taxes, spend with suppliers and develop new properties, we inject billions into our communities. Our company paid \$2.3 billion in taxes to U.S. governments at the local, state and federal levels in 2017.

We also invested \$956 million in domestic capital projects to expand and improve our existing portfolio and develop new destinations in Massachusetts and Las Vegas. We spent \$1.7 billion to purchase biddable goods and services from domestic partners, including local and diverse companies ...

Over the course of the year, our U.S. employees earned more than \$4.4 billion in wages that can then be reinvested in local economies.

In Nevada—home to 13 of our properties and our corporate headquarters—MGM Resorts created \$14.7 billion in economic output and made \$10.6 million in charitable contributions. As the largest tax generator in the state, we paid \$1.4 billion in taxes in 2017. We also spent \$847 million on biddable goods and services, including \$84.9 million with diverse and minority-owned businesses. As in Nevada, each of our resorts gives to the community it calls home.

Our ability to strengthen the economy goes beyond the contributions of our resorts. As the United States transitions from a manufacturing-based economy to a knowledge-driven economy, the private, public and education sectors must work together to ensure that American workers are empowered with the skills to adapt to today's job market and succeed in the jobs of the future. In 2017, we partnered with the University of Nevada, Las Vegas (UNLV), to launch the MGM Resorts Public Policy Institute—a think tank designed

to be a catalyst for this collaboration and pave the way for our communities to thrive and prosper (p. 19).

MGM goes on to detail the economic impact of each its main resorts. Exelon (2017) provides detailed disclosures of taxes paid by state to highlight its support for local governments:

Local Economic Benefits

We are dedicated to supporting economic development in the communities where our customers and employees live, and in which we operate. Our success grows from the prosperity and vibrancy of our communities and customers. From our commitment to sourcing from local and diverse suppliers, to the high-quality jobs we create, directly and through our subcontractors, we positively impact the local and state economies in which we operate. At the end of 2017, Exelon employed 34,260 employees in electric and gas T&D operations, as well as Exelon commercial offices and power generation facilities.

We also support local growth and development through our taxes. In 2017, Exelon paid, or collected and remitted, a total of \$4.5 billion in taxes. Of this total, \$2.0 billion was paid in federal income and payroll taxes, and state income/franchise, payroll, property, sales/use and utility taxes directly related to our business operations. Exelon collected and remitted to federal and state governments an additional \$2.5 billion in taxes, such as employee payroll, sales/use and utility taxes (p. 62).

Norfolk Southern (2017, p. 11) lists its “Economic Footprint” by state disclosing the number of employees, total payroll, total taxes, purchases and other payments, miles of road operated, industry investment in facilities, new customer jobs, and additional customer carloads.

Social Investments

Tax policies also play a major role in the social responsibility of these corporations – particularly those in the financial industry – who highlight their activities in support of social issues such as low-income housing, historical restoration and housing on tribal lands. These social endeavors are related to taxes because they use tax credit programs, such as the low- income housing or environmental tax credits or are funded by investment in municipal bond portfolios. Allstate (2017) talks about its socially responsible and environmentally friendly investments:

RESPONSIBLE INVESTMENT

Socially Responsible Investments

Allstate’s investment portfolio focuses on generating competitive returns while keeping risks at appropriate levels. The company is proud to weave corporate responsibility into its overall approach. The portfolio includes support of environmentally friendly and socially responsible investments with attractive risk/reward trade-offs. In 2017, our investments included a low-income-housing tax credit portfolio of \$557 million, a socially responsible investment portfolio of \$58 million and a renewable energy portfolio of \$296 million. Included in the renewable portfolio are debt and equity investments in wind, hydro and solar power, as well as geothermal projects. Allstate’s low-income-housing tax credit portfolio supports low- to moderate-income families by providing access to nearly 70,000 affordable rental housing units.

Corporate responsibility is part of our investment strategy, with portfolios that include support of environmentally friendly and socially responsible investments.

Additionally, we have an \$8.3 billion municipal bond portfolio, almost half of which has a socially responsible focus. Municipal bonds are issued by states, cities, counties and other governmental entities to fund construction projects such as schools, highways or sewer systems. Municipal bonds promote balanced risk, good long-term returns and strong after-tax benefits for Allstate, but they also support projects that benefit local communities. As of year-end 2017, Allstate's municipal bond portfolio included investments in:

- + 88 hospitals
- + 96 colleges and universities
- + 273 local school districts
- + 8 renewable energy projects
- + 134 water and sewer projects
- + 5 affordable housing projects (p. 111)

In 2017, Allstate has \$58 million in its Socially Responsible Investments Portfolio, \$296 million in Renewable Energy Investments and \$557 million in its Low-Income Housing Tax Credit Portfolio. Allstate also founded the Impact Community Capital (ICC) “to create a bridge between low-income communities in need of investment and insurance companies. It aims to invest policyholders’ capital into profitable investments while making a positive impact ... Since 2000, Allstate has helped ICC provide families access to more than 45,000 low-income housing units by funding ICC loans to newly constructed or rehabilitated affordable multifamily housing properties, most of which are eligible for low-income housing tax credits (p. 113).”

A number of financial institutions are involved with programs like low income housing tax credits, rehabilitation tax credits. PNC (2017) explains its involvement with social projects through tax credit programs:

Low-Income Housing Tax Credits – Ensuring access to affordable rental housing for families and seniors throughout the United States is important to PNC. Overall, PNC has more than \$9.8 billion in affordable housing equity under management. New Market Tax Credits – PNC utilizes the New Market Tax Credit program to provide equity capital to projects that create jobs and drive investment in some of the country’s most distressed urban and rural neighborhoods.

Historic Tax Credits – PNC is among the nation’s leading Historic Tax Credit investors and provides equity capital that incentivizes developers to preserve our historic structures and return them to productive use.

Preservation Funds – PNC invests in affordable housing across the U.S. through our Affordable Rental Housing Preservation Funds. These funds are used to acquire affordable housing properties throughout the United States with the intent to preserve and extend long-term affordability using Low Income Housing Tax Credits.

Bridge and Leverage Loans – PNC provides bridge and leverage loans as part of tax credit projects that create jobs and drive investment in distressed and low- and moderate income Neighborhoods (p. 19).

In all, PNC has \$331 million in equity commitments to the Low-Income Housing Tax Credit program, \$194 M to help finance community-supported economic development through the New Markets Tax Credit Program and \$294 million to restore historic properties through the Historic Tax Credit Program. Wells Fargo has invested more than \$53.8 million in Low Income Housing Tax Credits on tribal lands since 1987, creating 623 low income housing units in 10 states (2017, p. 21) State Street Corp. invested more than \$265 million during the year in renewable energy projects through our Tax Credit Investment program and

purchased renewable energy certificates to offset all of our North American electricity use (2017, p. 5). Through these tax credit programs, organizations are partnering with the government to provide social benefits.

Other social programs relate to taxes, such as Ford's support for free tax help for low income communities:

The Ford Volunteer Corps is also encouraging skill-specific volunteering to better utilize the advanced skills of more employees, who will return for future service, providing sustainable support for nonprofits. More than 60 Ford employees are trained and certified to work this year with Accounting Aid Society, which provides free tax services for low-income people in southeast Michigan to make sure they receive earned income tax credits and other benefits they are entitled to when they file their tax returns. Most of the Ford employees assisting with tax returns work in accounting or finance. The dollars are critical to helping people become more self-sufficient and improve their quality of life. (Ford Motor, 2017-18, p. 56).

Tax Supported Employee Benefits

Some of the social responsibility reports mention effects of the Tax Cuts and Jobs Act of 2017 - eleven reports discuss how the corporations returned tax savings from the bill to their employees and others, or in the case of regulated utilities, hope that their regulators will do so. The actions of PNC are fairly typical – making minimum wage adjustments, providing one-time bonuses to employees and making philanthropic commitments:

REINVESTMENT OF TAX SAVINGS

The tax legislation enacted in December 2017 gives PNC increased flexibility as we continue to invest in our businesses, people and communities. Specifically, the company announced plans to raise its minimum hourly pay rate to \$15 an hour for eligible employees by the end of 2018. In addition, PNC provided a \$1,500 credit to the pension accounts of employees who participate in the PNC pension plan and provided a \$1,000 one-time cash payment in the first quarter of 2018 to approximately 90 percent of employees. For our communities, PNC made a \$200 million contribution to the PNC Foundation, which oversees our work on early childhood education through PNC Grow Up Great®, as well as our support for other important causes that help our communities thrive (PNC, 2017, p. 3-4).

Another topic related to taxes mentioned by thirteen reports is employee benefit programs related to taxes, for example pre-tax funding for employee commuting and education, and social programs related to taxes such as tax preparation help. As examples, American Express offers “benefits that enable commuters to use pre-tax dollars to cover the cost of commuting by subway, bus, train, ferry, and vanpool (2017-2018, p. 63). Dominion Energy offers an Education Assistance Program reimbursing non-union employees for \$7,500 of qualifying costs per year, \$5,250 of which are tax free (2016-2017, p. 53).

DISCUSSION AND CONCLUSIONS

Despite widespread concern with tax avoidance and tax policies of large multinational firms, the talk about taxes in the sample sustainability reports does not, with a couple of exceptions, have much to say about that issue. Perhaps this is not surprising since Lanis and Richardson (2013) and Hoi et al. (2013) find that social responsibility is negatively related to tax avoidance. If this is the case, corporations who engage in tax avoidance/minimization schemes may be less likely to provide sustainability reports. Also, it is possible that firms which talk about tax policy in socially responsible terms may also engage in tax minimization practices. Ylonen and Laine (2015) provide a case study of a corporation providing laudable

descriptions of tax policy while engaging in corporate tax minimization on a large scale by use of transfer pricing schemes. Also, many corporations in this sample are not in the position to engage in corporate tax avoidance/minimization which is most prevalent in multinational, as opposed to domestic, corporations with intangible income sources and without strong regulatory oversight.

In the sustainability reports, many organizations talk about their lobbying activities, including trying to shape tax laws and regulations, as a civic duty and public service. The notion of lobbying related to tax laws and regulations as a civic service may be a bit hard to swallow. For example, the recent New York Times investigation into the role of corporate lobbyists in transforming the Tax Cuts and Jobs Act into an even greater corporate windfall than expected, at the expense of the budget deficit, by pressuring the Treasury to issue a series of regulations that alter the effect of the tax law in favor of large multinational corporations and banks. Drucker and Tankersly (2019) conclude that “(t)wo years after the tax cuts became law ... (c)ompanies continue to shift hundreds of billions of dollars to overseas tax havens, ensuring that huge sums of corporate profits remain out of reach of the United States government” with the result that “(t)he Internal Revenue Service is collecting tens of billions of dollars less in corporate taxes than Congress projected, inflating the tax law’s 13-figure price tag.” Corporations also detail the bonuses and philanthropic commitments made in honor of the Tax Cuts and Jobs Act corporate tax cuts. While perhaps laudable, these largely one-time provisions may not represent the investment in new jobs and infrastructure hoped for by the framers of the Tax Cuts and Jobs Act which cut corporate tax rates from 35% to 21% in anticipation of increased corporate investments (Reiter, 2018).

The reports disclose, often in detail, the economic effects their operations have on local communities through tax payments and discuss their tax-favored social and environmental investments and support for employee programs that offer tax breaks. A number of corporations in this sample which disclose the economic and social benefits of the taxes they pay are in politically sensitive industries such as extractive, energy and financial industries or are regulated firms such as utilities. They are in the position of needing to validate their contracts with society. They pay taxes and therefore present the economic and social benefits of their activities as an important aspect of their sustainability reports.

There is a common perception that social responsibility claims may be corporate window dressing or cosmetic solutions (Anesa et. al., 2018). However, even if this is the case, the claims and the repetition of the claims are one of the mechanisms that might lead to real change in the ways that corporations think about taxes and their social responsibilities. Corporate framing of taxation is important. Disclosure can be viewed as a legitimation and change mechanism, part of the process by which legitimacy may replace legality as the narrative surrounding corporate taxation. A transition from reliance on “hard” law (tax law) to reliance on the “soft” law of norms and practices is crucial for a transition from the “tax as a cost” (to be minimized) perspective to the “tax as a contribution” perspective. This shift in the norms surrounding corporate thinking is necessary for taxes to be seen as part of sustainable development commitments of corporations. As more companies repeat these narratives about the economic and social benefits of their tax-paying activities, these benefits are validated and become a more powerful part of the social narrative surrounding corporations and society.

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APPENDIX

FIGURE 1
INTEL'S MATERIALITY MATRIX (2017) CORPORATE RESPONSIBILITY REPORT

