



Proposal for Senior Honors Thesis

HONS 497 Senior Honors Thesis

Credits _____ (2 minimum required)

Directions: Please submit a **digital version** of your signed proposal to the Honors Office, honors@andrews.edu **at least one week prior to your scheduled meeting with the Honors Council**. This proposal must be accepted by Honors Council the semester before presentation.

Student's Name: Ruben Andrew Colón

Primary Advisor: Paul D Smith, Jr, CPA, MSA

Secondary Advisor:

Thesis Title (Working Title): More of the Same: The Tax Cuts and Jobs Act confirms the myth of Trickle-Down Economics.

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Expected date of Graduation: Spring 2024

I. Provide goals and brief description of your project or research.

The Tax Cuts and Jobs Act of 2017 decreased the corporate tax rate from thirty-five percent to twenty-one percent. This tax reform, enacted by Donald Trump, has profoundly impacted the financial state of many corporations and the government. But how has tax reform truly impacted the federal government and corporations?

1. Research Objectives

- a. To examine the initial governmental corporate tax revenue impact of the Tax Cuts and Jobs Act.
- b. To examine how corporations used the cash they didn't have to pay to the government in taxes.

2. Research Questions

- a. What was the initial governmental corporate tax revenue impact after the Tax Cuts and Jobs Act was enacted?
- b. How did corporations use the cash gained from the decrease in the corporate tax rate, and what \$\$\$ amount from X corporations is significant compared to the saved X\$ amount?
- c. Will an increase in stock buybacks hurt economic growth?
- d. Did the excess cash corporations gained from the decreased corporate tax rate inadvertently save the economy from further COVID-19 destruction?

- e. Where does the government redistribute wealth from tax revenues, and what programs did they reduce funding following the initial decrease in tax revenue after the TCJA?

3. Null Hypothesis:

- a. Since the Tax Cuts and Jobs Act (TCJA) was signed on December 22, 2017, most tax reform changes were not in effect until January 1, 2018. There was a decrease in the tax revenue after the bill was put into effect. Corporations used the decrease in tax revenue, related to the TCJA, for C-level awards/bonuses, investments in plants and production, stock buybacks (which benefit the corporation), and not to pay their employees. Whereas the government uses tax revenues to redistribute wealth into defense, paying interest on govt. Debt, farm and corporate subsidies, and social programs such as Medicare, Medicaid, child tax credits, mental health, school lunch programs, etc.

Tax reform and tax accounting marry three schools of thought: economics, auditing (accounting), and tax theory. When analyzing the initial impact of the Tax Cuts and Jobs Act (TCJA), audit and accounting skills were used to examine company balance sheets, cash flow statements, financial statements, and footnotes. This research project aims to understand where and how corporations used the cash they were no longer obligated to pay the federal government. The fourteen percent “gained” ($35\% - 14\% = 21\%$, the new tax rate under TCJA) or savings from the decrease in tax reform could have been used in multiple ways, possibly in the stockpile of cash, stock buybacks, purchase of securities, pay down of debt, investment in equipment or plants, or the increase of employee pay, or management pay— C-level awards or bonuses.

II. Outline your methodology. Please be specific. How does this achieve your goals and how reliable is it?

We gathered data from the Congressional Board of Office (CBO) online database and the United States Securities and Exchange Commission (SEC) for this research project. From historical and projected data from the CBO, we created an Excel model to track and analyze the government tax revenue amounts and projected amounts from 2015-2023, solely from corporate income taxes. This allowed us to note what corporate income taxes were before the Tax Cuts and Jobs Act (TCJA), how government tax revenue was affected by the TCJA, tax revenue under the influence of both the TCJA and COVID-19, and whether it matched our initial hypothesis. 2017 tax revenue, the last corporate tax revenue not impacted by either variable (TCJA or COVID-19), was set as our benchmark of government tax revenues by analyzing CBO projections compared to actual collections. Post-2017 tax revenue fluctuations were depicted after the decrease in the corporate tax rate (35% to 21%), which decreased corporate income tax and government tax revenue.

In 2018, the corporate tax rate of 21% was first implemented, and overall, a 40% reduction in the corporate tax rate (14%/35%). In 2017, our benchmark year, government tax revenue was 297 billion dollars, which decreased to 204 billion in 2018, then increased slightly to 230 billion dollars in 2019, and then again decreased to 212 billion dollars in 2020. From 2017 to 2018, there was a 93 billion dollar decrease; in 2017, compared to 2019, there was a 67 billion dollar decrease, and compared to 2020, there was an 85 billion dollar decrease, resulting in a 245 billion dollar saving for corporations over three years. This is a significant decline in corporate

tax payments to the government, but what amount from the selected corporations is significant enough to what they used the tax savings for?

This research project consists of two pivotal variables: the increase in corporate profits and the decrease in corporate tax rate. We found it essential to highlight the impact of government tax losses through the decrease in the tax rate, holding corporate profits constant, and including the increase in corporate profits. Stemming from the increase in corporate profits was a gain to the federal government compared to holding the profits constant. Over three years, corporate profits increased, resulting in lesser losses for the federal government. We found it essential to note the losses found strictly from the decrease in the corporate tax rate, hence holding all corporate profits constant. Holding corporate profits constant from our benchmark year of 2017 would have resulted in an additional 119 billion dollars in lost taxes, equaling 357 billion dollars over three years. However, corporate profits are never held constant. From 2017 to 2018, there was a 26 billion dollar gain in corporate profits; from 2017 to 2019, a 52-billion-dollar gain; and from 2017 to 2020, a 34-billion-dollar gain, which had the impact of increasing tax revenue.

2017	297	35%	849 Constant	178	119 Lost Taxes
2018	204	21%	971 Profits	26	26 Gained Corp Profits 93 Decrease in FG Corp Tax Revenue
2017	297	35%	849 Constant	178	119 Lost Taxes
2019	230	21%	1095 Profits	52	52 Gained Corp Profits 67 Decrease in FG Corp Tax Revenue
2017	297	35%	849 Constant	178	119 Lost Taxes
2020	212	21%	1010 Profits	34	34 Gained Corp Profits 85 Decrease in FG Corp Tax Revenue

Summarized components of the methodology are as follows:

1. Analyze data from the Congressional Board of Office (CBO) online database and the United States Securities and Exchange Commission (SEC).
2. Analyze the government tax revenue and projected amounts from 2015-2023, solely from corporate income taxes.
3. Note corporate income taxes before the Tax Cuts and Jobs Act (TCJA), how government tax revenue was affected by the TCJA, and tax revenue under the influence (variables) of the TCJA, COVID-19, and corporate profits.
4. The set benchmark year of 2017, chosen since 2017, is not affected by the above-mentioned variables.
5. Calculated the government-corporate tax revenue difference between our benchmark year of 2017 and 2018, 2019, and 2020.
6. Used the government-corporate tax revenue differences to depict the net federal government loss in tax revenue due to the issuance of the Tax Cuts and Jobs Act (TCJA).
7. Create/ed sets of equations to highlight the overall tax loss with and without the impact of corporate profits.
 1. $GCTR \text{ (Government Corporate Tax Revenue)} / TR \text{ (Tax Rate)} = CP \text{ (Corporate Profits)}$
 2. $TR * CP \text{ (Corporate Profits)} = \text{Constant}$
 3. $GCTR \text{ (Government Corporate Tax Revenue)} - \text{Constant} = \text{Lost Taxes}$
 4. $(CP1 - CP2) * TR = \text{Gain in Corporate Profits}$

5. Lost Taxes - Gain in Corporate Profits = Decrease in Federal Government Corporate Tax Revenue
8. I will assess and analyze the repatriated money brought from off-shore accounts by corporations—minimum territorial tax on off-shore resources.
9. Analyze how corporations used the 245 billion dollars saved from the decrease in the corporate tax rate.

III. Explain in what sense your project is original, unique, or beyond normal senior expectations. How does it relate to current knowledge in the discipline?

While an accounting major, I am not primarily interested in pursuing a public accounting career at an accounting firm. However, my interest in law and desire to become a corporate attorney has driven me to increase my knowledge of tax law concepts and reform and how it can affect corporations. Furthermore, the discipline of accounting holds various areas of thought. To complete an accounting degree, one must fulfill six credits in economics, three credits in tax accounting, and three credits in Auditing. The theoretical aspects are taught and performed in all four of these courses. Through this research project, we aim to marry various theoretical processes found in economics, tax, auditing, and accounting. The public accounting business comprises auditing, tax, and consulting, primarily specific to my research project and skills I will use in the future. I have plans to receive my CPA and graduate from law school within the next 5-6 years, so further understanding the tax side of law and its effects on corporations is vital for my learning process in this school of study. Throughout the research project, I have applied accounting and auditing skills such as balance sheet and cash flow statement analysis (PY/CY) and identifying cash uses and possible issues.

At Andrews University, business students aren't required to perform research unless they are MLA students. As an undergrad honors accounting student, this project allows me to research more than just basic accounting questions or topics provided by a professor. I have been given the liberty to combine my current field of study with my desired field of study and create a research project to understand the effects of tax reform further. While using accounting and auditing skills is vital for my project, the primary purpose is to use this research project to show law schools, in the future, my interest in corporate law and tax law. This project goes beyond my general understanding, which benefits my knowledge. Rather than choosing a simple research question solely in the accounting discipline, I have chosen a more challenging route that piques my interest significantly.

Therefore, while there has been research done on the economic effects of the TCJA and what the decrease in corporate tax rate led to, my project looks at extended periods, the impact of COVID-19, tax repatriation, and the impact of corporate profits.

IV. Include a substantive annotated bibliography of similar or related work.

Primary Sources:

Congressional Budget Office. April 2018 Historical Budget Data. Budget and Economic Data. <https://www.cbo.gov/data/budget-economic-data>

- The Congressional Board of Office (CBO) is an online database that provides historical and projected economic and budget data. I created an Excel model to track and analyze the government tax revenue amounts and projected amounts from 2015-2023, solely from corporate income taxes. This allowed us to note what corporate income taxes were before the Tax Cuts and Jobs Act (TCJA) in 2017, how government tax revenue was affected by the TCJA, tax revenue under the influence of both the TCJA and COVID-19, and whether it matched our initial hypothesis. 2017 tax revenue, the last corporate tax revenue not impacted by either variable (TCJA or COVID-19), was set as our benchmark of government tax revenues by analyzing CBO projections compared to actual collections. Post-2017 tax revenue fluctuations were depicted after the decrease in the corporate tax rate (35% to 21%), which decreased corporate income tax and government tax revenue.

Congressional Budget Office. January 2019 Historical Budget Data. Budget and Economic Data. <https://www.cbo.gov/data/budget-economic-data>

- The Congressional Board of Office (CBO) is an online database that provides historical and projected economic and budget data. Through the CBO it allowed us to note what corporate income taxes were before the Tax Cuts and Jobs Act (TCJA) in 2017, how government tax revenue was affected by the TCJA, tax revenue under the influence of both the TCJA and COVID-19, and whether it matched our initial hypothesis. In 2018 tax revenue fluctuations were depicted after the decrease in the corporate tax rate (35% to 21%), which decreased corporate income tax and government tax revenue from 297 billion to 204 billion dollars.

Congressional Budget Office. January 2020 Historical Budget Data. Budget and Economic Data. <https://www.cbo.gov/data/budget-economic-data>

- The Congressional Board of Office (CBO) is an online database that provides historical and projected economic and budget data. Through the CBO it allowed us to note what corporate income taxes were before the Tax Cuts and Jobs Act (TCJA) in 2017, how government tax revenue was affected by the TCJA, tax revenue under the influence of both the TCJA and COVID-19, and whether it matched our initial hypothesis. In 2019 tax revenue fluctuations were depicted after the decrease in the corporate tax rate (35% to 21%), which decreased corporate income tax and government tax revenue of 297 billion from the benchmark year in 2017 to 230 billion dollars.

Congressional Budget Office. February 2021 Historical Budget Data. Budget and Economic Data. <https://www.cbo.gov/data/budget-economic-data>

- The Congressional Board of Office (CBO) is an online database that provides historical and projected economic and budget data. Through the CBO it allowed us to note what

corporate income taxes were before the Tax Cuts and Jobs Act (TCJA) in 2017, how government tax revenue was affected by the TCJA, tax revenue under the influence of both the TCJA and COVID-19, and whether it matched our initial hypothesis. In 2020 tax revenue fluctuations were depicted after the decrease in the corporate tax rate (35% to 21%), which decreased corporate income tax and government tax revenue of 297 billion from the benchmark year in 2017 to 212 billion dollars.

Congressional Budget Office. May 2022 Historical Budget Data. Budget and Economic Data. <https://www.cbo.gov/data/budget-economic-data>

- The Congressional Board of Office (CBO) is an online database that provides historical and projected economic and budget data. Through the CBO it allowed us to note what corporate income taxes were before the Tax Cuts and Jobs Act (TCJA) in 2017, how government tax revenue was affected by the TCJA, tax revenue under the influence of both the TCJA and COVID-19, and whether it matched our initial hypothesis. In 2021 tax revenue fluctuations were depicted after the decrease in the corporate tax rate (35% to 21%), which increased corporate income tax and government tax revenue of 297 billion from the benchmark year in 2017 to 372 billion dollars. We are unaware of the cause of the increase but will try to conclude by the end of the research paper.

Congressional Budget Office. February 2023 Historical Budget Data. Budget and Economic Data. <https://www.cbo.gov/data/budget-economic-data>

- The Congressional Board of Office (CBO) is an online database that provides historical and projected economic and budget data. Through the CBO it allowed us to note what corporate income taxes were before the Tax Cuts and Jobs Act (TCJA) in 2017, how government tax revenue was affected by the TCJA, tax revenue under the influence of both the TCJA and COVID-19, and whether it matched our initial hypothesis. In 2022 tax revenue fluctuations were depicted after the decrease in the corporate tax rate (35% to 21%), which increased corporate income tax and government tax revenue of 297 billion from the benchmark year in 2017 to 425 billion dollars. We hypothesize that this significant increase was caused by the boost in inflation and the recovery of economic activity caused by the pandemic.

U.S. Securities and Exchange Commission. Apple 2018-11-05 Financial Report. 10-K Filing Data. https://www.sec.gov/cgi-bin/viewer?action=view&cik=320193&accession_number=0000320193-18-000145&xbrl_type=y

- The United States Securities and Exchange Commission (SEC) is an online database that provides all financial reports for public companies. We are specifically looking at multiple corporation such as Facebook, Amazon, Apple, Google, Microsoft, Exxon, Walmart, an a few more pending. Through the SEC we were able to analyze Apple financial report, noting the stock buybacks for 2017. We will use the 2017 amounts, for all companies, as the benchmark amount. The amount spent on stock buybacks will allows us to better understand what cash was used on after the decrease on the corporate tax rate.

U.S. Securities and Exchange Commission. Apple 2019-10-31 Financial Report. 10-K Filing Data.https://www.sec.gov/cgi-bin/viewer?action=view&cik=320193&accession_number=0000320193-19-000119&xbrl_type=v

- The United States Securities and Exchange Commission (SEC) is an online database that provides all financial reports for public companies. We are specifically looking at corporations such as Facebook, Amazon, Apple, Google, Microsoft, Exxon, Walmart, and a few more pending. Through the SEC we were able to analyze Apples financial report, noting the stock buybacks for 2018. The amount spent on stock buybacks will allow us to better understand what cash was used on after the decrease on the corporate tax rate.

U.S. Securities and Exchange Commission. Apple 2020-10-30 Financial Report. 10-K Filing Data.https://www.sec.gov/cgi-bin/viewer?action=view&cik=320193&accession_number=0000320193-20-000096&xbrl_type=v

- The United States Securities and Exchange Commission (SEC) is an online database that provides all financial reports for public companies. We are specifically looking at multiple corporation such as Facebook, Amazon, Apple, Google, Microsoft, Exxon, Walmart, and a few more pending. Through the SEC we were able to analyze Apples financial report, noting the stock buybacks for 2019. The amount spent on stock buybacks will allow us to better understand what cash was used on after the decrease on the corporate tax rate.

U.S. Securities and Exchange Commission. Apple 2021-10-29 Financial Report. 10-K Filing Data.https://www.sec.gov/cgi-bin/viewer?action=view&cik=320193&accession_number=0000320193-21-000105&xbrl_type=v

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U.S. Securities and Exchange Commission. Apple 2022-10-28 Financial Report. 10-K Filing Data.https://www.sec.gov/cgi-bin/viewer?action=view&cik=320193&accession_number=0000320193-22-000108&xbrl_type=v

- The United States Securities and Exchange Commission (SEC) is an online database that provides all financial reports for public companies. We are specifically looking at multiple corporation such as Facebook, Amazon, Apple, Google, Microsoft, Exxon, Walmart, and a few more pending. Through the SEC we were able to analyze Apples financial report, noting the stock buybacks for 2021. The amount spent on stock buybacks will allow us to better understand what cash was used on after the decrease on the corporate tax rate.

U.S. Securities and Exchange Commission. Exxon 2018-02-28 Financial Report. 10-K Filing Data.https://www.sec.gov/cgi-bin/viewer?action=view&cik=34088&accession_number=0000034088-18-000015&xbrl_type=v

- The United States Securities and Exchange Commission (SEC) is an online database that provides all financial reports for public companies. We are specifically looking at multiple corporation such as Facebook, Amazon, Apple, Google, Microsoft, Exxon, Walmart, and a few more pending. Through the SEC we were able to analyze Exxon's

financial report, noting the stock buybacks for 2017. We will use the 2017 amounts, for all companies, as the benchmark amount. The amount spent on stock buybacks will allow us to better understand what cash was used on after the decrease on the corporate tax rate.

U.S. Securities and Exchange Commission. Exxon 2019-02-27 Financial Report. 10-K Filing Data.https://www.sec.gov/cgi-bin/viewer?action=view&cik=34088&accession_number=0000034088-19-000010&xbrl_type=v

- The United States Securities and Exchange Commission (SEC) is an online database that provides all financial reports for public companies. We are specifically looking at multiple corporation such as Facebook, Amazon, Apple, Google, Microsoft, Exxon, Walmart, an a few more pending. Through the SEC we were able to analyze Apples financial report, noting the stock buybacks for 2018. The amount spent on stock buybacks will allow us to better understand what cash was used on after the decrease on the corporate tax rate.

U.S. Securities and Exchange Commission. Exxon 2020-02-26 Financial Report. 10-K Filing Data.https://www.sec.gov/cgi-bin/viewer?action=view&cik=34088&accession_number=0000034088-20-000016&xbrl_type=v

- The United States Securities and Exchange Commission (SEC) is an online database that provides all financial reports for public companies. We are specifically looking at multiple corporation such as Facebook, Amazon, Apple, Google, Microsoft, Exxon, Walmart, an a few more pending. Through the SEC we were able to analyze Apples financial report, noting the stock buybacks for 2019. The amount spent on stock buybacks will allow us to better understand what cash was used on after the decrease on the corporate tax rate.

U.S. Securities and Exchange Commission. Exxon 2021-02-24 Financial Report. 10-K Filing Data.https://www.sec.gov/cgi-bin/viewer?action=view&cik=34088&accession_number=0000034088-21-000012&xbrl_type=v

- The United States Securities and Exchange Commission (SEC) is an online database that provides all financial reports for public companies. We are specifically looking at multiple corporation such as Facebook, Amazon, Apple, Google, Microsoft, Exxon, Walmart, an a few more pending. Through the SEC we were able to analyze Apples financial report, noting the stock buybacks for 2020. The amount spent on stock buybacks will allow us to better understand what cash was used on after the decrease on the corporate tax rate.

U.S. Securities and Exchange Commission. Exxon 2022-02-23 Financial Report. 10-K Filing Data.https://www.sec.gov/cgi-bin/viewer?action=view&cik=34088&accession_number=0000034088-22-000011&xbrl_type=v

- The United States Securities and Exchange Commission (SEC) is an online database that provides all financial reports for public companies. We are specifically looking at multiple corporation such as Facebook, Amazon, Apple, Google, Microsoft, Exxon, Walmart, an a few more pending. Through the SEC we were able to analyze Apples financial report, noting the stock buybacks for 2021. The amount spent on stock buybacks will allow us to better understand what cash was used on after the decrease on the corporate tax rate.

U.S. Securities and Exchange Commission. Exxon 2023-02-22 Financial Report. 10-K Filing Data. https://www.sec.gov/cgi-bin/viewer?action=view&cik=34088&accession_number=0000034088-23-000020&xbri_type=v

- The United States Securities and Exchange Commission (SEC) is an online database that provides all financial reports for public companies. We are specifically looking at multiple corporation such as Facebook, Amazon, Apple, Google, Microsoft, Exxon, Walmart, an a few more pending. Through the SEC we were able to analyze Apples financial report, noting the stock buybacks for 2022. The amount spent on stock buybacks will allow us to better understand what cash was used on after the decrease on the corporate tax rate.

Secondary Sources:

Kelton, S. (2020). The Deficit Myth: Modern Monetary Theory and the Birth of the People's Economy. _____, 26-30.

- “The Deficit Myth: Modern Monetary Theory and the Birth of the People’s Economy,” by Stephanie Kelton, is a thought-provoking exploration of the Modern Monetary Theory (MMT) and government deficits/debts. Kelton's book does a marvelous job of creating an understanding for the common folk on what and how the government uses taxes. Kelton writes, “Take military spending. In 2019, the House and Senate passed legislation that increased the military budget, approving \$716 billion, nearly \$80 billion more than Congress had authorized in 2018. There was no debate about how to pay for spending. No one asked, where will we get the extra \$80 billion? Lawmakers didn't raise taxes or go out and borrow an extra \$80 billion from savers so that the government could afford to make the additional payments instead of Congress committed to spending money I did not have” (Kelton, 29). Even though “lawmakers didn't raise taxes” the decrease in the corporate tax rate from 35% to 21% increased government corporate income tax revenue. This topic pertains to my desire to see where the government uses tax revenues to redistribute wealth.

Smolyansky, M., Suarez, G, et al. (2019). U.S. Corporations' Repatriation of Offshore Profits: Evidence from 2018. Board of Governors of the Federal Reserve System. <https://www.federalreserve.gov/econres/notes/feds-notes/us-corporations-repatriation-of-offshore-profits-20190806.html>

- In this article, published by the Federal Reserve, they discuss the U.S. corporation's repatriation of offshore profits and the increase in stock buybacks after the TCJA was enacted. It is stated that “Immediately after the passage of the TCJA in late December 2017, share buybacks rose sharply for the top 15 cash holders, with the ratio of buybacks to assets more than doubling in 2018” (Smolyansky et al. 2019). Stock buybacks, which return profits to investors, are when a company purchases their stock, which reduces the number of shares available, increasing the value. In my project, we are focused on determining how the 245 billion saved over three years was used following the Tax Cuts and Jobs Act. Clearly, through the article, we can decipher that a chunk of it was used on stock buybacks, but that was only studied in 2018, and we will continue for 2-3 more years in my research project.

Hughes, J. (2021). Democrats Seek to Eliminate the Stock Buyback Advantage. *Institute of Taxation and Economic Policy*. <https://itep.org/democrats-seek-to-eliminate-the-stock-buybackadvantage/#:~:text=Stock%20buybacks%20did%20not%20begin,trillion%20on%20their%20own%20stock>

- President Biden has created a Build Back Better Plan, which has a provision that would limit corporation tax advantages, such as stock buybacks, that increase their profits and profits to shareholders. Corporations that buy their own stock increase the value of the stock held by their stockholders. While stock dividends are taxed, stock buybacks become capital gains that aren't taxed for years and mostly never (Hughes, 2021). This article discusses who stock buybacks benefit the most (wealthy, white Americans, and shareholders) and the policies that may go in place to mitigate this advantage. Hughes writes, "In 2018, the first year that the TCJA was in effect, U.S. companies spent \$1 trillion on their own stock." Since cash holdings increased when the corporate tax rate decreased, this helps me understand why corporations would have used it to invest in their own stock and who it benefits the most.

Corser, M., Bivens, J., et al. (2019). Still terrible at two. *Economic Policy Institute*. https://files.epi.org/uploads/20191211_Trump-Tax-Bill-R6.pdf

- This article looks at the evidence stemming from the Tax Cuts and Jobs Act (TCJA) and who benefited, the most from the tax reform. "Trump's tax plan has failed to deliver meaningful benefits to workers and produce the investment boom once promised, and there's no reason to believe that will change," said Josh Bivens, Director of Research at the Economic Policy Institute. Rather there has been a significant increase in stock buybacks rising more than 50% in 2018" (Corser, Bivens, et al.). Studies show that there has been a significant increase in stock buyback and no increase in investment. We will use this claim and others from the article to show that while the stock buybacks have benefited the wealthy, white, and corporate class, there may have been benefits for the economy and all communities.

Knott, M. A. (2019). Why The Tax Cuts and Jobs Act (TCJA) Led to Buybacks Rather Than Investment. *Forbes*. <https://www.forbes.com/sites/annemarielknott/2019/02/21/why-the-tax-cuts-and-jobs-act-tcja-led-to-buybacks-rather-than-investment/?sh=24a2f3c437fb>

- Not only did the TCJA decrease the corporate tax rate from 35% to 21%, but it also changed the taxation of foreign profits. Knott writes, "Previously these profits weren't taxed until repatriated, so companies kept their profits abroad. In fact, an estimated \$2.8 trillion of foreign profits had been accumulated. The TJCA changed the law such that profits are taxed only where earned" (Knott, 2019). The government thought, through the TCJA, that the company's increase in profits would result in an increase in investment, but rather, there was an increase in stock buybacks. This article shows that stock buybacks were trending up way before the TCJA but that the TCJA (because of the decrease in tax rate) put more excess cash in the corporation's hands, sparking a more significant increase. The information from this article will be used to answer whether repatriated funds increased stock buybacks and whether stock buybacks will hurt economic growth.

York, E. (2018). Evaluating the Change Incentives for Repatriating Foreign Earnings. *Tax Foundation*. <https://taxfoundation.org/research/all/federal/tax-cuts-and-jobs-act-repatriation/>

- This research discusses the ins and outs of tax repatriation and how companies, after the Tax Cuts and Jobs Act was signed into law, brought overseas earnings back to the United States. Prior to the TCJA, there weren't any incentives for corporations in the United States to repatriate their offshore cash, however the TCJA created incentive. The Tax Foundation writes, "To transition to this new territorial tax system and address the buildup of cash that occurred under the old worldwide tax system, the TCJA imposed a one-time tax of 15.5 percent on liquid assets like cash and 8 percent on illiquid assets, payable in installments over eight years, regardless of whether companies repatriate old overseas earnings" (York, 2023). While diving into the increase of stock buybacks because of the decrease in tax rate, we also found that it could have been affected by the incentive of repatriating offshore earnings.

V. Provide a statement of progress to date and list the research methods coursework completed.

As of October 2023, I have been able to analyze periods in which the Tax Cuts and Jobs Act affected the federal government and various corporations. Since this act was enacted on January 1, 2018, we set the benchmark year as 2017. At the beginning of this year, tax revenue was 297 billion dollars but decreased over the next three years before COVID-19. We have decided to analyze multiple corporations such as Facebook, Amazon, Apple, Google, Microsoft, Exxon, and Walmart to gather an understanding of where and how the cash was disbursed. Starting in 2017 and before 2021, corporations saved at least 245 billion dollars in what was once tax payments. The coursework I have completed and will be completed before the project is due to help me with this project are Intermediate Accounting I, Intermediate Accounting II, Advanced Accounting, Auditing, Intro to Taxation, and Macro/Microeconomics. I began my research at the end of the Spring 2023 semester after completing the Honors Research Pro-Seminar. I continued my research into the summer, focusing on narrowing down my question and topic, finding a more straightforward question rather than a broad one. Over the Fall 2023 semester, I have focused primarily on the Tax Cuts and Jobs Act's effect on the federal government and corporations before COVID-19. Examining and hypothesizing where the 245 billion dollars was used and whether the Tax Cuts and Jobs Act helped the economy is the focal point of my research project. Thus, I have much work to do, but I clearly understand where I desire my research project to reach.

Department Chair Approval

- **This student's performance in his/her major field is acceptable.**
- **He/she has completed the requisite research methods coursework for the research to be pursued.**
- **I understand that he/she plans to graduate with Honors.**

Carmelita Troy

Department Chair (signature)

Research Advisor Approval

I have read and support this proposal:

Paul S. [Signature]

Primary Advisor (signature)

I have read and support this proposal:

Secondary Advisor (signature)

If human subjects or if live vertebrate animals are involved, evidence of approval from the Institutional Review Board or an Animal Use Committee is needed through the campus scholarly research offices (Ext. 6361).