From: Frederick W. Smith
To: All U.S. Team Members
Subj: The Facts About FedEx Taxes
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At FedEx, we employ more than 400,000 U.S. team members who support the economy through the movement of goods and providing related business services. For companies like us, it's abundantly clear that America's roads, ports, bridges, rails, and airports are severely stressed. Given these deteriorating conditions, we're encouraged that a top focus for elected officials in Washington, D.C. is revitalizing our aging infrastructure.

It's been suggested, however, that the way to pay for these improvements is by increasing the income tax rate on corporations like FedEx. As part of this conversation, politicians and the media are misrepresenting American businesses — including ours — seeming to forget our contributions as essential drivers of the economy, innovation, and good-paying jobs.

For that reason, I would like to dispel misrepresentations and omissions in media reports about FedEx and other companies related to federal income tax filings. To be clear, we pay all U.S. federal, state, and local taxes FedEx owes, which have totaled nearly $9 billion over the last five fiscal years.

Let me also address directly (1) recent misrepresentations about FedEx tax filings the last few years, and (2) corporate taxes overall:

The Coronavirus Aid, Relief, and Economic Security Act of 27 March 2020 (CARES Act) which was passed by Democrats and Republicans in Congress included provisions to keep essential transportation services in operation despite a dramatic and unprecedented drop in demand for such services due to the initial surge of the COVID-19 virus — particularly in New York.

The CARES Act and the subsequent Consolidated Appropriations Act in December 2020 resulted in over $48 billion in direct grants and $46 billion in loans to air carriers and other transportation companies and supporting businesses. It also contained several temporary tax measures to enhance financial liquidity for all businesses large and small especially essential logistics companies such as FedEx.

Although FedEx was eligible for CARES Act payments and loans, we did not accept any federal funds despite several competitors doing so. Instead, we arranged for loans from the commercial market and subsequently have played a major role in keeping global health care, industrial, and at-home supply chains open. It was the combination of the CARES Act tax measures and the borrowed funds that allowed FedEx to avoid widescale furloughs during the depth of the COVID-19 challenge until our volumes recovered.

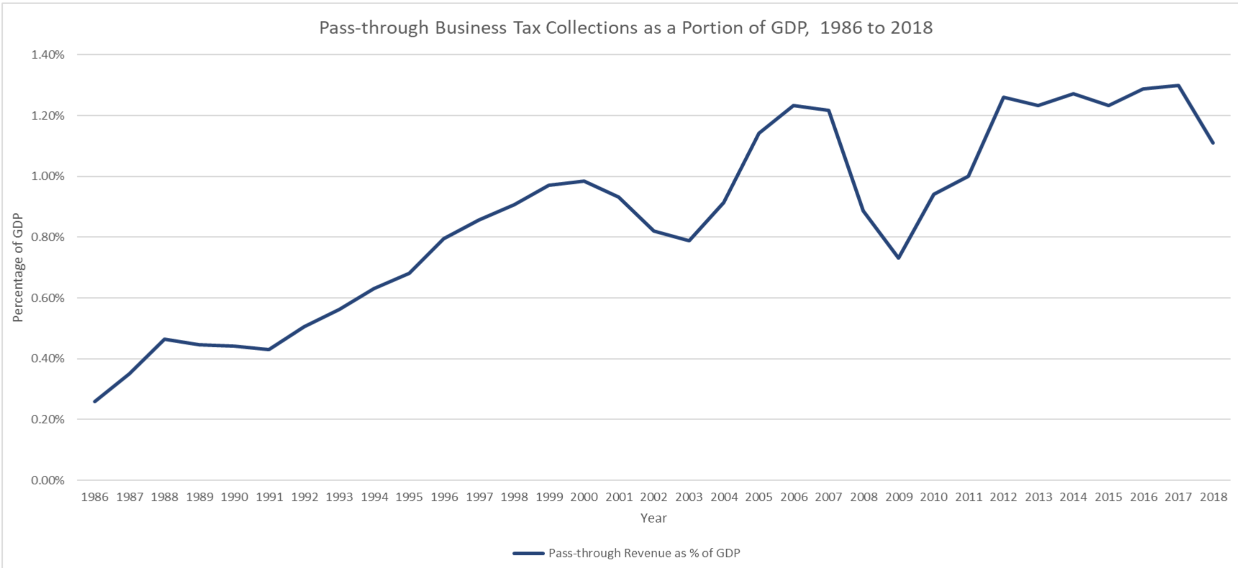
Prior to the pandemic, a combination of our significantly increased investments due to the lower tax rates and capital expensing provisions of the Tax Cuts and Jobs Act (TCJA) of 2017 (described in my Op-Ed in the *Wall Street Journal* of 20 November 2019) resulted in a temporary reduction in our federal income tax payments over the last several years. Profits from these investments will result in tax payments to the federal government for many years in the future. The major programs and investments we made following the passage of the TCJA are detailed **here.** These included unscheduled pay increases for team members, contributions to further secure our well-funded U.S. employee pension plan, and major acquisitions of additional Boeing aircraft. As noted in my November 2019 Op-Ed above, the purchase of a widebody aircraft injects nearly $540 million into the U.S. economy and supports 1,850 jobs, and we ordered 24 widebody aircraft in June 2018 because of the TCJA!

Please note that the corporate tax provisions in the CARES Act and TCJA are laws, not loopholes, and these provisions allow us to better serve our customers, grow our business with them, and invest in our team members' work environment, facilities, and software especially during times of uncertainty like the COVID-19 pandemic. These investments are no different than those made by individuals, households, and parents who are affected by tax provisions focused on mortgage interest, child and dependent care, retirement savings, and education tax credits/deductions. Tax laws allow individuals/married couples/parents the ability to direct investment back into their families and households, and business tax provisions are no different.

The facts about corporate tax rates:

We again reiterate our strong support for the TCJA as the primary beneficiaries of increased investments by large corporations are wage earners. Former Senator Phil Gramm and Mike Solon provided clear data on these benefits in a *Wall Street Journal* Op-Ed of 6 April 2021 including a nonpartisan estimate of economic growth of $6.2 trillion over ten years — "an extra $1,900 of annual income on average for every man, woman and child in America."

Those seeking to raise corporate taxes and discredit the benefits of the TCJA point to the large drop in corporate tax receipts as a percentage of GDP over the past three decades. What they fail to acknowledge, however, is a growing portion of the country's business tax revenue is now raised by so-called "pass-throughs" where the taxes are paid by the individual business owners rather than the corporation. The chart below shows the increasing income tax revenue paid to the U.S. Treasury since the mid-1980s from pass-through entities as a percentage of GDP.



(source: The Tax Foundation)

FedEx has never taken a position on individual tax rates, only the tax rate that applies to our corporation and other forms of businesses. Corporations are the engine of capital investment in the U.S. economy and therefore of great importance to our nation's prosperity overall.

As highlighted in the Gramm and Solon Op-Ed, a slight decrease in business tax receipts after TCJA clearly proved stimulative and beneficial to the economy, U.S. workers, and households.

FedEx fully supports the rebuilding of American infrastructure. However, the current corporate tax proposals in the Administration's plan will reduce capital investment and significantly degrade U.S. competitiveness. When corporate tax rates were 35% before the TCJA, perverse tax incentives led to significant offshoring of U.S. manufacturing, corporate inversions, and stagnant job growth for hourly wage employees.

We believe investments in infrastructure – roads, highways, bridges, ports, airports, and waterways – should be financed by users like FedEx. Consequently, we have long supported tax increases to pay for them.

It's important to keep the facts in focus as policymakers and businesses work together toward our shared goals: a more prosperous economy, more competitive companies, growing employment, and increased compensation for workers.

Frederick W. Smith
Chairman and CEO
FedEx Corporation