



Testimony of Karen Dewalt
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Before the U.S. House Committee on Ways & Means
Full Committee Field Hearing Titled:

**The Success of Pro-Growth, Pro-Worker
Tax Policy in the American Midwest**

August 16, 2024

The Importance of Maintaining a Competitive Tax Rate

Chairman Smith, Ranking Member Neal, and Members of the Committee,

Thank you for the opportunity to submit comments on behalf of The Home Depot regarding the importance of maintaining a competitive corporate tax rate. As the largest home improvement retailer in the world, The Home Depot is keenly aware of how tax policies impact not only our business but also the broader economy and the communities we serve.

A competitive corporate tax rate is vital for fostering a robust business climate in the United States. The Tax Cuts and Jobs Act (TCJA) of 2017, which reduced the corporate tax rate to 21%, has been pivotal in enabling U.S.-based companies like ours to create jobs, invest domestically, and offer consumers price-competitive products.

Background

For context, The Home Depot operates 2,340 retail stores across North America, with over 2,000 in the U.S., and employs over 465,000 associates. The Home Depot's online business itself is the 5th largest U.S. based e-commerce retailer. For the fiscal year 2023, The Home Depot paid approximately \$5 billion in corporate income taxes. The Home Depot pays approximately 1% of all federal corporate income taxes collected in the U.S.

While our current effective tax rate, which includes state and local taxes, is approximately 24-25%, a significant reduction from the approximately 37-39% ETR we reported before TCJA was enacted, The Home Depot continues to pay more than its fair share of taxes while also investing in our business to help our customers get what they need, when and where they need it, at the best price possible.

The reduction in the corporate income tax rate allowed The Home Depot to reinvest more earnings back into our business, contributing to the US economy's overall strength. One way to look at it is through our operating margin: in 2016, it was approximately 14.2%, and in 2023, it was approximately 14.2%. One reason it stayed relatively consistent over that time period is because we prioritized investments in associate wages, buildings, and IT infrastructure, ensuring we remained competitive and continued to provide value to both our pro and do-it-yourself customers.

Maintaining a competitive tax rate enables us to expand our operations and enhance our capabilities. Our stores don't just sell products, they empower homeowners to renovate and maintain their homes at a reasonable cost, and they enable small to mid-sized contractors to grow their business.

The Impact of TCJA on The Home Depot

Since the enactment of TCJA in 2017, we have undertaken several initiatives that demonstrate the positive impact of a lower tax rate.

First, we've invested in expansion, making significant supply chain enhancements, establishing over 100 warehouse facilities nationwide as part of a \$1.2 billion investment in supply chain capabilities. This initiative has created more than 18,000 jobs in the U.S. and improved both our operational efficiency and customer service. Consider how The Home Depot's Pro ecosystem continues to expand as a key component of the company strategy to better serve pro customers. The new distribution centers stock large, bulky merchandise like lumber, insulation, roofing shingles and more, allowing pros to order job lot quantities of the products they need to complete their entire projects, delivered directly to their job sites. This in turn allows the pros we serve to grow their businesses.

Second, we've invested heavily in our workforce. The Home Depot invested approximately \$1 billion in frontline associate wage in 2021, and made an additional \$1 billion annualized wage investment last year, ensuring our more than 400,000 talented employees are compensated fairly and competitively. This investment benefits our associates and also contributes to local economies through increased spending power.

Our store managers see the benefit of our wage investments in the lives of our associates. Our West Des Moines store manager told me the story of one of her associates, a local Iowan whose life has changed from The Home Depot's investment in wage—she's gone from working two jobs to make ends meet, to joining The Home Depot, growing her career with us now as a Department Supervisor, and just moved into a new apartment with her son.

Now, we are embarking on our next growth chapter, planning to open 80 new stores over the next five years, an investment that will add thousands of jobs. More than a dozen have already opened, creating numerous job opportunities across the country. We have also just completed the largest acquisition in our company history. In May 2024 we acquired SRS Distribution—a Texas-based leading residential specialty trade distribution company. This acquisition complements the Pro capabilities The Home Depot is already building and will help us better serve the small, medium, and large businesses that work on complex projects for consumers across the country and will also allow us to accelerate our growth, further contributing to the economy.

Finally, we've increased technological advancements. We have invested significantly in technology to create an interconnected retail experience and help our associates provide better customer service. For example, our homegrown mobile app Sidekick uses machine learning to help associates find product more easily and to prioritize stocking the highest demand product.

These examples show that when we were given a lower rate through TCJA, we aggressively invested it back into our business and people. Any increase in the corporate rate will decrease the capital that we have to invest in our associates, stores, infrastructure and capabilities and will threaten to make us less competitive.

Economic Impact of TCJA

The benefits of maintaining a competitive tax rate extend beyond our company to our customers and the communities we serve.

The current corporate tax rate of 21% has allowed us to contribute significantly to the U.S. economy. According to our latest Economic Impact Study based on our fiscal year 2022, every Home Depot job supports more than 4 additional jobs across the U.S. The Home Depot provided more than \$22 billion in direct tax impact, including corporate income taxes, sales taxes collected, property tax and payroll taxes paid by our associates. Our economic activities also generated \$35 billion in GDP, illustrating the broader benefits of a competitive tax environment. Finally, we support more than 7,700 local suppliers across the country, creating shareholder value for both The Home Depot and our vendor partners — cultivating a supplier base that includes small businesses like local manufacturers and plant nurseries.

A lower tax rate enables us to keep prices competitive, making home improvement more accessible to a broader range of consumers. Additionally, our investments in local communities through job creation, small business support, and giving back help stimulate local economies and improve quality of life.

For example, we work with over 80 small businesses in Iowa and Missouri that deliver supplies to our stores and customers. These suppliers sold more than \$140 million worth of product to the Home Depot in 2023, and we are always looking to find new small businesses to help both The Home Depot and small businesses succeed.

In addition, The Home Depot is committed to supporting communities with natural disaster preparedness, short-term response and long-term recovery, which makes a real difference when need arises.

Each year, the Home Depot Foundation and Team Depot, Home Depot's associate volunteer force, prepare before disaster strikes by pre-stocking nonprofit partner warehouses and Home Depot distribution centers with relief supplies for quick deployment in the immediate wake of a storm.

With the help of Team Depot and nonprofit partners, including Team Rubicon, Convoy of Hope, Operation Blessing, American Red Cross, World Central Kitchen and others, the Foundation is able to provide immediate support, resources and relief supplies to communities in need.

Our corporate merchandising, supply chain and operations teams move necessary product and equipment to impacted areas, and our stores often become command centers for first responders and relief agencies.

Through nonprofit partners, the Foundation continues to work in impacted communities for years after a natural disaster to come to ensure long-term recovery in the area.

In 2023, The Home Depot Foundation committed more than \$8 million for disaster preparedness, response and long-term recovery in communities impacted by natural disasters, and this May, the Foundation committed up to \$300,000 to harder to reach

communities impacted by tornadoes and several flooding, like Iowa, Nebraska, Oklahoma, Michigan, Texas, Tennessee and others.

In conclusion, maintaining a competitive corporate tax rate is essential for the continued growth and success of U.S.-based companies like The Home Depot. It enables us to invest in our business, create jobs, and provide value to American consumers while supporting the broader economy. We urge policymakers to consider the positive impact of the current corporate tax rate on businesses, communities, and the nation's economic health.

Thank you for your time and consideration.

Respectfully,

Karen Dewalt
VP, Global Tax
The Home Depot