



Anneken, Huey & Moser^{PLLC}

Certified Public Accountants

Engaged. Responsive. Future-focused.

Here's the Tax Beat broadcast for August 20

Subject Line: Houston, We Have No Taxes

You know how you sometimes hear about highflying companies sending miserly tax checks to Uncle Sam? Well, buckle up — SpaceX might just be the star of that show. According to a [New York Times](#) exposé, SpaceX has privately told investors that because of a 2017 tweak to the Tax Cuts and Jobs Act, it may *never* have to pay federal income tax, even if they do succeed in helping mankind colonize Mars.

Here's the basic concept. If your business makes money, you owe tax. But if your business *loses* money, the IRS won't return the favor. So, the tax code lets you carry forward that loss to offset *future* income. It's called a "net operating loss," or NOL. And really, it's only fair — otherwise, it would be a "heads Uncle Sam wins, tails you lose" situation.

Up until 2017, there was a limit on how long you could carry forward NOLs — specifically, 20 years. But the Tax Cuts and Jobs Act of 2017 nuked that deadline. Now, companies that generate losses after that law passed can carry them forward, theoretically at least, until the sun explodes.

Here's where SpaceX gets extra thrust. They've been operating since 2002. Their *revenue* has certainly achieved orbit — this year, they're expecting to take in \$15.5 billion. And they've reported positive EBITDA (earnings before interest, taxes, depreciation, and amortization), which is an accounting proxy for positive cash flow, to shareholders. But they've most likely never generated a dime in TAXABLE income. In fact, the *Times* reports the company telling us they've lost a total of \$5.4 billion.

That might sound shady at first. But there's nothing illegitimate about any of it. SpaceX is just riding the code as written. "Don't hate the playa, hate the game," and all that.

There's a particular irony with SpaceX that makes the situation feel especially irksome to some, though: the company got its start thanks to government support. Even today, it benefits from hundreds of government contracts for tasks like delivering cargo to the International Space Station and providing spy satellites. (Suggested slogan: "When It Absolutely, Positively Has to Get to Outer Space.") In 2020, the company earned \$1.4 billion — 83.8% of its revenue — from federal contracts. In 2021, that number grew to \$1.7 billion. Yet it may never pay tax on the returns it realizes from those ventures.

That irony hangs heavier than a Falcon Heavy Booster waiting to blast off from Boca Chica. And some taxpayers think they have a right to feel a bit used. Of course, SpaceX and its investors would reply that the benefits of creating a private space industry, nimbler than NASA, outweigh any tax dollars Uncle Sam might have collected.

Does this mean Washington should tune up the code some more? Maybe we should bring *back* the expiration on carryforwards. Alternatively, we could limit the amount of losses companies can carry forward to something less stratospheric than \$5.4 billion.

In the end, SpaceX sitting atop billions in revenue while paying peanuts in federal income tax isn't a story about tax dodging. It's more of a mirror held up to the tax code. Washington wrote the rules. SpaceX is obeying them, even if some critics don't think it righteous. So let's enjoy the rockets—but maybe call for a little tax gravity check, too.

The good news is that you don't have to be a startup unicorn like SpaceX to take advantage of legal opportunities to pay less. That's where we come in. Call us when your finances are ready to reach for the stars!

Kevin

