

# New US tax law brings Warren Buffett a nice check: \$29 billion

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Investor Warren Buffett, seen here speaking at an event early last year in New York with fellow billionaire Bill Gates, says in his new newsletter that his company received a \$29 billion bonus in 2017 thanks to a new US tax law

Berkshire Hathaway, the holding company of US billionaire investor Warren Buffett, received a stunning \$29 billion check last year from the US government, thanks to a new tax law that massively lowered corporate tax rates.

In his much-anticipated annual letter to shareholders, Buffett explained that the company's net gain of \$65.3 billion in 2017 was only partly due to his employees' efforts.

"Only \$36 billion came from Berkshire's operations," he wrote. "The remaining \$29 billion was delivered to us in December when Congress rewrote the US Tax Code."

Still, Buffett assured stockholders, "The \$65 billion gain is nonetheless real—rest assured of that."

The new law, greatly touted by President Donald Trump, lowered the tax rate paid by US corporations from 35 percent to 21 percent, allowing many to undertake major new outlays and others to book significant fiscal gains.

Berkshire Hathaway wholly owns dozens of companies—from Dairy Queen to Duracell—and holds significant shares in large and diverse corporations including American Express, Apple, Bank of America, Charter Communications, Coca-Cola, Delta Air Lines, General Motors, Goldman Sachs, Moody's, Wells Fargo and Southwest Airlines.

## **'The Oracle of Omaha'**

Buffett's newsletters are read with intense interest on Wall Street and beyond. Known as the "Oracle of Omaha"—after his birthplace in the Midwestern state of Nebraska—he is one of the world's most successful investors and one of its richest men. Now 87, he has been investing since

he first bought stock at the age of 11.

His latest newsletter reports that Berkshire's net earnings rose last year from \$24.07 billion to \$44.94 billion.

The year also saw the company's war chest swell to \$116 billion in cash and US Treasury bills, financial manna that Buffett wants to use to make significant new acquisitions.

The company's often-impressive pace of acquisitions had slowed last year, he noted, when the prices asked for businesses "hit an all-time high," amid what he called "a purchasing frenzy."

"Price seemed almost irrelevant to an army of optimistic purchasers," Buffett noted.

Still, he said, the company "will have opportunities to make very large purchases" going forward, with emphasis on those available at "a sensible purchase price."

Buffett said Berkshire would stick with a "simple guideline: The less the prudence with which others conduct their affairs, the greater the prudence with which we must conduct our own."

## **A hit from hurricanes**

Buffett also said that while Berkshire's insurance holdings would take a \$2 billion after-tax hit from losses caused by hurricanes last year in Florida, Texas and Puerto Rico, other reinsurance companies did far worse.

And he estimated the chances of a "mega-catastrophe" this year—one causing losses of at least \$400 billion—at 2 percent.

"No one, of course, knows the correct probability," he added.

Buffett concluded with a little advice to fellow investors: "Though markets are generally rational, they occasionally do crazy things," he wrote.

"Seizing the opportunities then offered does not require great intelligence... (or) a degree in economics," but rather "an ability to both disregard mob fears or enthusiasms and to focus on a few simple fundamentals."

Forbes magazine estimates Buffett's personal worth at some \$87 billion.

He has undertaken—as part of the so-called Giving Pledge he co-founded with Bill Gates and Facebook CEO Mark Zuckerberg—to donate more than 99 percent of his fortune to charities, and has already given away some \$32 billion.

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