ACT Alliance for Competitive Taxation

Alliance for Competitive Taxation[1]
Statement for the Record
Submitted to U.S. House of Representatives, Committee on Ways and Means
May 18, 2017

The Alliance for Competitive Taxation (ACT) submits the following statement for the record of the May 18, 2017 hearing held by U.S. House of Representatives, Committee on Ways and Means on “How Tax Reform Will Grow Our Economy and Create Jobs.”

ACT is comprised of leading American businesses that employ millions of American workers from a diverse range of industries, including technology, manufacturing and services. We believe pro-growth business tax reform can be fiscally responsible, create U.S. jobs, increase wages for American workers and strengthen small and large American businesses by setting a competitive corporate tax rate and modernizing our international tax system.

For years, ACT has called for tax reform that lowers the corporate tax rate and provides a competitive international tax system that allows American businesses to compete in the global economy.

ACT applauds today’s hearing for underscoring the need for comprehensive tax reform that will grow our economy and create American jobs.

As policymakers debate the merits of corporate tax reform, the benefits for American workers must be a priority. In recent years, leading economists and experts on both sides of the aisle have weighed in, and their analysis is clear: America’s complex and outdated tax code is hurting American workers in the global economy and tax reform would create new opportunities and growth for workers here at home.

Having the highest corporate tax rate in the developed world is not only a hindrance to U.S. businesses, it also hurts American workers. A report from the Congressional Joint Committee on Taxation highlighted this issue and offered two points of consensus from existing research:

> *“One is that the burden of the corporate income tax falls largely on domestic individuals, and therefore the corporate income tax does impact the well-being of these individuals. The second is that the burden of corporate income taxes is not borne entirely by capital owners, and is*

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> *instead shared between capital owners and labor with the share borne by each being the subject of ongoing debate."*

The burden of a high corporate tax rate is borne by American workers (through lower wages), consumers (through higher prices), and savers (through a lower return on their savings) – not by corporations.

American multinational companies are some of our nation's leading employers and contribute significantly to U.S. economic growth. It is clear that there is much to be gained by modernizing the U.S. international tax system. A study for the Business Roundtable found that in 2013 U.S. companies with global operations directly employed 23.3 million American workers and supported a total of 76.6 million U.S. jobs, \$4.7 trillion in U.S. labor income and \$8.3 trillion in U.S. GDP.

Additionally, the Organisation for Economic Co-operation and Development (OECD) studied the effect of tax systems on economic growth and concluded,

> *"Corporate income taxes are the most harmful for growth as they discourage the activities of firms that are most important for growth: investment in capital and productivity improvements." Corporate tax increases are the most economically damaging way to raise revenue, as they reduce economic growth, reduce jobs, depress wages and hurt all American families."*

It's estimated American multinationals have over \$2.6 trillion of accumulated foreign earnings indefinitely reinvested abroad – much of which is trapped overseas by the 35 percent tax rate imposed by the United States on repatriated earnings. What does this mean for American workers? According to ACT economic advisor Doug Holtz-Eakin:

> *"Currently, American companies have \$2 trillion in earnings that they cannot invest in the United States without incurring a tax penalty; that's money our economy desperately needs. The benefits are obvious: That \$2 trillion can fund research and development in the U.S. so that the next great product can be American-designed. It can expand domestic production facilities. It can hire American workers. Today, 95 percent of the world's consumers are outside of the U.S. We should want our businesses to sell American workers' products to them. And when they do, we should want the profits to come back home."*

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Along with a competitive corporate tax rate, it's time for the United States to establish a competitive international territorial tax system that encourages economic growth, spurs job creation and lets American businesses compete in the modern global economy on a level tax playing field.

We hope you will keep these facts in mind as you consider the impacts of corporate tax reform on American workers and the U.S. economy.

We applaud the House Ways and Means Committee for its continued leadership on this issue. ACT stands ready to work with Congress and the Administration to enact a 21st century tax code that will create American jobs and make the U.S. an attractive place for both small and large businesses to innovate, invest, and thrive.

Sincerely,

The Alliance for Competitive Taxation