ACT Alliance for Competitive Taxation

CORPORATE TAXES
A HIDDEN BURDEN FOR FAMILIES

When Washington raises taxes on corporations, American families suffer the consequences. To pay their tax bills, corporations must get the funds from workers (in the form of lower wages), consumers (in the form of higher prices), and investors (in the form of reduced returns on investment). In fact, increasing the corporate tax rate from 21 percent to 28 percent would impose a $500 billion tax increase (a 27 percent higher corporate tax bill) on families making less than $300,000 a year, according to the Treasury Department. While corporate tax rate increases are often justified with populist rhetoric, the facts are clear: higher corporate taxes hurt working families.

FACT 1 Higher Corporate Tax Rates Reduce Wages

- The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) — both nonpartisan — estimate that higher corporate taxes reduce wages by 25 percent, while a joint study by an International Monetary Fund (IMF) economist and Rutgers University professor estimates wages would actually reduce by 60 percent.
- Using this range of estimates, increasing the corporate rate from 21 to 28 percent would cost American workers between $34 billion and $81 billion per year in lost wages over the next decade – amounting to $249 to $597 per person each year. Using Treasury's estimate, every point increase on the corporate rate raises about $192 billion --with about 36.9%, or $71 billion, borne by those making less than $300,000 per year.

FACT 2 Higher Corporate Tax Rates Increase Prices

- Corporate taxes are ultimately borne by consumers through higher prices for goods and services, further exacerbating the impact of reduced wages.
- A recent National Bureau of Economic Research paper found that for every $100 increase in corporate income taxes, prices may increase by as much as $52.
- For low-income families, this is uniquely devastating: lower-income families spend twice their income each year to cover expenses.

FACT 3 Higher Corporate Tax Rates Jeopardize Retirement Plans

- The 58 percent of American families who own stock directly or indirectly through a pension or retirement plan would see their nest eggs shrink as dividends and share prices decrease.
- A majority of American families earning less than $245,400 — including 40% of families who have incomes ranging from $34,600 to $59,500 — would be impacted.
- A corporate tax rate increase would also hurt seniors who rely on dividends, 401(k) distributions, pensions, and other investments for over half their income.