PROTECTING U.S. JOBS AND INVESTMENT
WHY A COMPETITIVE CORPORATE TAX RATE MATTERS

Proposals to increase America's corporate tax rate would reduce investment, employment, and economic growth. Policymakers should not jeopardize our economy with uncompetitive tax rates.

THE CURRENT CORPORATE TAX LANDSCAPE

The Tax Cuts and Jobs Act (TCJA) of 2017 lowered the federal corporate tax rate from 35% to 21%, fueling business investment, R&D, and boosting wages in the U.S. The combined federal and state corporate tax rate now stands at 25.6%, which is 2 percentage points higher than the average across the 38 Organization for Economic Co-operation and Development (OECD) countries.

COMPETING VISIONS FOR THE FUTURE

While the income tax rate on corporations is scheduled to remain constant next year, candidates for President and Congress in both parties are advocating for changes to advance their policy goals. The future of business tax policy hangs in the balance.

BENEFITS OF A COMPETITIVE CORPORATE TAX RATE

Increased Business Investment: The lower corporate tax rate, alongside other TCJA provisions, increased domestic investment by 20% for a typical firm and led companies to repatriate $2.5 trillion in overseas earnings. A higher rate would deter investment in the U.S., lower wages, and weaken supply chain security.

Higher Income for Middle Class Families: After the TCJA, real median household income rose by $6,160, more than the combined increase of the previous decade. If the corporate tax rate increases to 28%, leading economists agree that workers would shoulder much of the tax burden. In fact, according to Treasury's own research, an increase in the corporate tax rate to 28% would result in a $500 billion tax increase on families earning less than $300,000 annually. Families in the bottom half of the income distribution (earning less than $72,500) would bear a heavier burden from corporate income taxes than from individual income taxes.

Higher Economic Growth: Following the TCJA, GDP growth surpassed the Congressional Budget Office's forecast by a full percentage point. Each dollar of corporate tax reduction has been estimated to boost economic output by 44 cents. A 28% tax rate would push the combined federal and state corporate tax rate to 32.3%, making it the second highest among OECD countries, which would stifle economic progress and diminish U.S. competitiveness.

Lower Unemployment: After the enactment of the 21% corporate tax rate, unemployment hit record lows for African Americans (5.3%), Hispanics (3.9%), and those without a high school diploma (4.8%). Raising the tax rate to 28% could wipe out over $3.6 trillion in S&P 500 market value, threatening the 401(k)s, IRAs, pensions, and retirement savings of hardworking Americans.