



**Written Testimony of Dr. Elaine C.
Kamarck and James P. Pinkerton**

Co-Chairs, Reforming America's Taxes Equitably (RATE) Coalition

Before the U.S. House Ways and Means Committee

Hearing on Pro-Growth Economic Policies:

"Moving America Forward: With a Focus on Economic Growth"

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Thank you, Chairman Ryan, for allowing us the opportunity to present the following testimony during today's House Ways and Means Committee hearing, "*Moving America Forward: With a Focus on Economic Growth.*" We are Elaine Kamarck and James P. Pinkerton, co-chairs of the Reforming America's Taxes Equitably (RATE) Coalition.

Representing a diverse array of businesses and trade organizations that employ over 30 million U.S. workers, our Coalition commends you for your efforts to accomplish pro-growth policies that will fix and strengthen key economic pillars – including workers' wages and unemployment rates – as well as many economic indicators which haven't yet recovered to pre-recession levels.

Of the economic concerns you plan to explore, our Coalition would like to recommend comprehensive tax reform as the single most effective policy step Congress can take to bolster our struggling economy. More specifically, our U.S. corporate tax rate – currently the highest of any developed nation at 39.1% – hinders our economic vitality and global standing in the business community.

Our world-leading corporate tax rate means U.S. businesses, on average, pay 40 cents on each extra dollar earned. By contrast, the average rate in Europe is 20 cents; in Asia, 22 cents – about half the rate here in the U.S.

In an effort to quantify the economic injury caused by our high corporate tax structure, the RATE Coalition commissioned a study in 2013 led by Robert Carroll of Ernst and Young, and Drs. John Diamond and George Zodrow of Tax Policy Advisers LLC which calculated the fiscal cost to the U.S. each year it failed to lower its corporate tax rate to a globally competitive level.

The study concluded that in 2013, U.S. GDP was an estimated 1.2% to 2.0% lower – translating into a loss of roughly \$235 billion to \$345 billion each year. Similarly, workers' wages were found to be 1.0% to 1.2% lower.

Moreover, the problem is only getting worse, as demonstrated by the increasing rate of corporate tax inversions over the past ten to fifteen years.

Simply put – all evidence points to our high corporate tax rate as an impediment holding us back from success in the global marketplace, and this has tangible impacts on our domestic economy. The last time our tax code underwent reform in 1986, our corporate tax rate was

reduced to an internationally competitive level and the decade that followed brought about uninhibited, vital economic growth.

The legacy of this major overhaul has since faded, and a resounding bipartisan refrain calling for tax reform has never been more vocal or ripe for action in Washington. By and large, Republicans and Democrats are in agreement on the primary goals of tax reform and how to go about achieving these policies.

In fact, we recently saw success at the state level in Indiana, North Carolina and Rhode Island, where their corporate rates were lowered in order to improve competitiveness.

However, it is important to remember that regardless of how much states drive down their tax rates, all U.S. businesses are still subject to a staggeringly high federal corporate tax burden.

The consequences of inaction have already taken their toll, but we have the opportunity during the 114th Congress to put a full stop to this hemorrhaging of the U.S. business sector through passing comprehensive tax reform that includes a lower rate for all businesses.

Our Coalition along with other members of the small and large business community hope tax reform – above all else – is one policy aim the House Committee on Ways and Means will resolve to achieve as soon as possible.

We greatly appreciate the opportunity to present our testimony to this esteemed Committee. We thank you for dedicating your energy toward helping American workers and businesses maintain their economic well-being in 2015 and in the challenging decades to come.

**For more detailed analysis on how these figures were calculated and measured, please find a copy of the full report enclosed along with this written testimony, or on our website [here](#).*

(Report Hyperlink: http://ratecoalition.com/wp-content/uploads/2013/04/EY_TPA_RATE_Coalition_Macroanalysis_2013_03_04_FINAL.pdf)