# WRITTEN TESTIMONY OF SENATOR BLANCHE LINCOLN

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U.S. Senate Finance Committee Hearing

"How U.S. International Tax Policy Impacts American Workers, Jobs, and Investment"

March 25, 2021

As a member of this distinguished Committee between 2001 to 2010, I am pleased to submit this statement for the record on behalf of the RATE Coalition, whose members and affiliates employ more than 53 million American workers in all 50 states. For nearly a decade, RATE has been dedicated to the achievement of a tax code that reflects, rather than restricts, the competitive spirit of American workers. Meaningful economic wins promptly resulted from our new, globally competitive corporate tax rate of 21% at the federal level – and these wins underscore precisely why it was a bipartisan priority for decades. America's unemployment rate consistently remained below 4%, the economy created more than 100,000 private sector jobs per month, and nominal wage growth was either at or above 3% growth for nearly two straight years.

As the Committee seeks to answer the critical question of "how U.S. international tax policy impacts American workers, jobs, and investment" at today's hearing, I encourage its members to subsequently ask a few additional ones amid reports of a proposal to increase the federal corporate income tax rate by more than 33%:

– How uncompetitive do policymakers want the United States to be in today's globalized marketplace?

– How many American jobs are we willing to lose in order to return America's combined corporate rate back to the highest in the industrialized world?

– Who would thrive as a result of raising our country's corporate tax rate further above competitors like China?

When combined with state and local taxes, job creators in the United States already pay a corporate rate of over 25%. The average corporate rate among OECD countries, meanwhile, is 23.4% – and 25% in China, which continues to welcome headquarters at a worrisome clip. Over the past 20 years, China has added 114 Global Fortune 500 headquarters, while the United States has lost 58. Today, China has 124, while the United States has 121.

Nearly a dozen countries around the world have also reduced their corporate rates in recent years, which threatens to compound the consequences of any new proposal to put ourselves even further behind foreign competitors. Among the widely recognized consequences of raising the domestic corporate tax rate: reducing worker income, shipping jobs and headquarters overseas, as well as restarting inversions. JCT, CBO, and other organizations say that as much as 70% or more of the corporate tax is borne by labor. And analysts from the Tax Foundation to the Tax Policy Center agree that workers pay the cost in the form of lower wages.

At a time when American employers and workers are striving to recover from a historic public health and economic crisis, I urge my former colleagues on the Committee to eliminate wasteful loopholes rather than our country's new competitive corporate rate and the jobs it generates. And while the prospect of imposing a tax hike on businesses of all sizes on the heels of historic crises presents its own troubling ramifications –corporate taxes, per the OECD, "are the most harmful type of tax for economic growth" – a phased-in tax hike would still be as harmful. Such a plan would immediately halt domestic investment and send jobs overseas – both of which pose serious barriers to the country's capacity to build back better.

For a more complete picture of what's truly at stake once state and local taxes are accounted for as you and your colleagues prepare to navigate this pressing issue, please consider the following figures. In all but six states, the proposed 28% federal rate is but the base of the burden:

| OECD AVERAGE CORPORATE RATE | CHINA'S CORPORATE RATE |
|---|---|
| 23.4% | 25% |

| STATE | CURRENT COMBINED RATE | PROPOSED COMBINED RATE |
|---|---|---|
| Alabama | 25.10% | 32.68% |
| Alaska | 28.40% | 34.77% |
| Arizona | 24.90% | 31.53% |
| Arkansas | 25.90% | 32.46% |
| California | 28% | 34% |
| Colorado | 24.60% | 31.28% |
| Connecticut | 26.90% | 33.40% |
| Delaware | 27.90% | 34.26% |
| Florida | 24.50% | 31.21% |
| Georgia | 25.50% | 32.14% |
| Hawaii | 26.10% | 32.61% |
| Idaho | 26.50% | 32.99% |
| Illinois | 28.50% | 34.84% |
| Indiana | 25.10% | 31.78% |
| Iowa | 28.70% | 35.06% |
| Kansas | 26.50% | 33.04% |
| Kentucky | 25% | 32% |
| Louisiana | 26% | 34% |
| Maine | 28.10% | 34.43% |

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|---|---|---|
| Maryland | 27.50% | 33.94% |
| Massachusetts | 27.30% | 33.76% |
| Michigan | 25.70% | 32.32% |
| Minnesota | 28.70% | 35.06% |
| Mississippi | 25% | 32% |
| Missouri | 23.80% | 30.88% |
| Montana | 26.30% | 32.86% |
| Nebraska | 27.20% | 33.62% |
| **STATE** | **CURRENT COMBINED RATE** | **PROPOSED COMBINED RATE** |
| Nevada | 21% | 28% |
| New Hampshire | 27.10% | 33.54% |
| New Jersey | 30.10% | 36.28% |
| New Mexico | 25.70% | 32.25% |
| New York | 26.10% | 32.68% |
| North Carolina | 23% | 30% |
| North Dakota | 24.40% | 31.10% |
| Ohio | 21% | 28% |
| Oklahoma | 25.70% | 32.32% |
| Oregon | 27% | 33% |
| Pennsylvania | 28.90% | 35.19% |
| Rhode Island | 26.50% | 33.04% |
| South Carolina | 25% | 32% |
| South Dakota | 21% | 28% |
| Tennessee | 26.10% | 32.68% |
| Texas | 21% | 28% |
| Utah | 24.90% | 31.56% |
| Vermont | 27.70% | 34.12% |
| Virginia | 25.70% | 32.32% |
| Washington | 21% | 28% |
| West Virginia | 26.10% | 32.68% |
| Wisconsin | 27.20% | 33.69% |
| Wyoming | 21% | 28% |