

RATE COALITION

September 15, 2021

The Honorable Richard Neal
Chairman
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Neal and Ranking Member Brady:

Earlier this year, the RATE Coalition – whose members and affiliates proudly employ more than 53 million American workers in all 50 states, including a total of 1,169,593 and 5,381,022 employees in Massachusetts and Texas, respectively – wrote to you about the vital importance of a competitive corporate tax system as our country works to recover from unprecedented crises. The rapid rise of the delta variant and current condition of the American economy only add to urgency of the pursuit to preserve a tax code that reflects, rather than restricts, the competitive spirit of American workers.

Currently, when combined with state and local taxes, job-creating businesses of all sizes pay a rate that eclipses 25 percent. And as such, any increase in the corporate rate would position our country even further behind global competitors like China – and carry devastating consequences for American workers, who ultimately bear as much as 70¹ to 85² percent of the corporate income tax.

The proposed 26.5 percent federal corporate tax rate requires context of the added state rate – which would push the combined figure past 31 percent – along with a global landscape in which OECD countries offer an average rate of 23.4 percent. China, meanwhile, offers lower rates to hundreds of targeted growth industries where they want to expand their dominance in the global supply chain. In stark contrast to our system, Beijing's 25 percent corporate rate is a ceiling rather than a base of the burden. And over the course of the past four years, nine of the largest and most advanced economies reduced their corporate tax rate and several countries are likely to soon follow suit³.

Here at home, a slew of studies projects a range of deleterious outcomes if Congress moves forward with a costly corporate rate hike, including 'massive job loss⁴,'

¹ https://www.cbo.gov/sites/default/files/109th-congress-2005-2006/workingpaper/2006-09_0.pdf

² <https://www.cnbc.com/video/2021/09/03/dems-look-at-possible-tax-changes-to-pay-for-spending-package.html>

³ <https://www.wsj.com/articles/bidens-stumble-in-the-global-tax-race-11617316406>

⁴ <https://www.nam.org/new-analysis-25-corporate-rate-still-leads-to-massive-job-loss-13814/>

lower wages⁵, higher retail prices⁶, negative effects on U.S. business investments⁷, the return of inversions⁸, and, according to a recent Joint Committee on Taxation analysis⁹, generally higher costs of living. Such troubling ramifications underscore why the OECD has long considered corporate taxes to be “the most harmful type of tax for economic growth¹⁰” – and help explain why, per a new poll, the American people oppose¹¹ tax hikes in the middle of a pandemic by an 80-20 margin.

As you and your colleagues work together to accelerate our economic recovery, any funding mechanism for much-needed programs must be guided by an understanding of a global landscape in which our current rate is already undercut by scores of competitors, as well as the projected harm of any tax hike on job-creating businesses and the workers they employ.

Sincerely,

The RATE Coalition

⁵ <https://www.federalreserve.gov/econresdata/feds/2016/files/2016006pap.pdf>

⁶ https://www.nber.org/system/files/working_papers/w27058/w27058.pdf

⁷ <https://www.businessroundtable.org/business-roundtable-survey-finds-corporate-tax-increases-would-weaken-us-business-expansion-hiring-investments-in-rd-and-innovation>

⁸ <https://www.cfodive.com/news/corporate-inversions-could-return-under-biden-tax-plan/599544/>

⁹ https://www.finance.senate.gov/imo/media/doc/ict_analysis_on_corporate_tax_increase.pdf

¹⁰ <https://www.oecd.org/ctp/tax-policy/tax-policy-reform-and-economic-growth-9789264091085-en.htm>

¹¹ <https://www.atr.org/poll-80-oppose-tax-hikes-coming-out-pandemic?amp>