RATE
COALITION

January 14, 2025

The Honorable Mike Crapo
United State Senate
Senate Finance Committee
239 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden
United States Senate
Senate Finance Committee
221 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Wyden:

On behalf of the 55 million working people across all fifty states employed by our member companies and affiliates, the RATE Coalition stands ready to work with you and the Senate Finance Committee to preserve and extend the Tax Cuts and Jobs Act and to maintain a competitive corporate tax rate.

Since our founding in 2011, RATE has advocated for pro-growth tax policies that have produced a globally competitive corporate tax rate, increased economic growth and investment, and benefited working families and American businesses large and small.

The 2017 tax cuts passed by Congress and signed into law by President Trump have been enormously successful in increasing investment, wages, and jobs in America. The corporate rate was reduced from the highest rate in the world to a much more competitive rate of 21%. The 21% rate has increased U.S. competitiveness, brought investment and jobs back to the U.S., and led to record high corporate tax receipts. Since the rate was reduced, U.S. growth in real GDP has exceeded every other G-7 country, including France, Germany, and the United Kingdom.

In the two years after the enactment of TCJA, the U.S. economy boomed, directly benefiting working families and small businesses across the country. Economic growth surged a full percentage point higher than the previous ten-year average. Real wages increased 4.9%, the largest increase in 20 years. Real medium household income rose by $5,000, a larger increase than in the prior 8 years combined. Unemployment and poverty levels fell to the lowest levels in 50 years.

Economic studies confirm that the 2017 tax cuts, particularly the corporate tax rate reduction, increased investment, wages, and economic growth. A recent NBER study found that the corporate tax reforms increased domestic capital investment by 20% in the two years after enactment.

Information from our member companies shows that the corporate rate cut enabled them to increase investments, bring capital back to the U.S., expand their small business suppliers, improve their supply chains, increase wages and benefits, hire new workers, and significantly expand their community and charitable contributions.

The increased investment and growth from the lower corporate rate has resulted in record high levels of corporate tax revenue. In fiscal 2024, corporate tax receipts increased to $530 billion, the highest level ever. Corporate tax receipts are now 78% higher than the amount collected in 2017 before the rate cut, and 26% higher than CBO projected for 2024 after the bill was passed.

We strongly believe that maintaining a competitive corporate tax rate is essential to the continued growth of the U.S. economy. Any increase in the corporate rate would be harmful to working people, American businesses, and the U.S. economy. A higher corporate tax rate would hit American job creators large and small. One study found that more than one million small businesses would be hit by a higher corporate rate, causing a “disaster for small business.”

Economic studies have found that raising the corporate tax rate is “significantly more economically harmful” than any other tax increase. Numerous studies have shown that raising the rate would have a harmful effect on working families, lowering their wages and income, increasing the prices they pay, and reducing their retirement savings. A Federal Reserve Board study found that a corporate rate increase would be “uniformly harmful” to working people, causing a “significant reduction in their jobs and income.”

Increasing the corporate tax rate would put U.S. companies at a competitive disadvantage against our global competitors. In the past two decades, most of our foreign competitors have reduced their corporate tax rates, recognizing the damage high corporate rates do to their economies. Since the U.S. reduced the corporate rate to 21%, 53 countries have reduced their corporate rates to improve their ability to compete around the world.

The current combined U.S. federal-state tax rate is 25.8%, higher than the average corporate tax rate in Asia (19.7%), Europe (20.18%), and the OECD (23.85%). The U.S. rate is also higher than the 15% rate China applies to industries encouraged by the Chinese government, including high-tech and software, and businesses critical to their global supply chain. Any increase in the U.S. rate would put U.S. firms at a greater disadvantage over foreign competitors. Even a 25% rate (a combined rate of nearly 30%) would put the U.S. rate higher than nearly 90% of OECD countries and nearly 15 percentage points higher than the rate China puts on its most important business sectors.

Raising the corporate rate would also bring back tax inversions, which led to the loss of American jobs and tax revenue and devastated many American communities. In the two decades prior to the 2017 tax cuts, nearly one hundred U.S. firms moved to foreign countries to avoid the high uncompetitive U.S. tax rate. Since the rate was reduced, tax inversions have disappeared and not one company has moved overseas.

As your committee works on extending pro-growth tax policies in the coming months, we urge you to protect the current competitive U.S. corporate rate and reject any proposal to raise the rate. Raising the rate even a few points would be a major economic mistake, hurting working people and small businesses and threatening American competitiveness and growth. We look forward to working with you on maintaining pro-growth policies that benefit working families and American businesses and increase economic growth and prosperity.

Sincerely,

The RATE Coalition