TAXPAYERS PROTECTION ALLIANCE

April 14, 2015

Distinguished members of the Senate Finance Committee:

The Taxpayers Protection Alliance (TPA), representing millions of taxpayers nationwide, submits the following comments as you consider how best to institute corporate tax reform into any comprehensive overhaul of the current tax code.

There is broad agreement on corporate tax reform and this may be due to the fact that United States has a 39.2 percent corporate tax rate, the highest corporate tax rate in the world. The United States has retained that dubious status since April 1, 2012. Having the highest corporate tax rate is an unwanted distinction, and it has become a major hindrance on the nation's economy.

Having the highest effective rate among developed countries should give lawmakers pause knowing that it has made it more difficult for businesses to operate when they are being burdened with what has been effectively the highest corporate tax rate in the world. This burden is disturbing considering that not only are businesses weary to do business in America due to the staggering corporate tax rate, but those that are here are reluctant to expand within the United States. This trepidation to expand is because of a slew of statutory taxes that would essentially take a large portion of the hard-earned profits and give it to Washington.

A 2013 study from Ernst & Young commissioned by the RATE coalition detailed how the high corporate tax rate impacts economic output for businesses and earning power for working Americans. The results are discouraging:

- The average statutory foreign corporate tax rate of the 19 countries analyzed will have fallen nearly 35 percent between 1988 and 2015, when all currently scheduled changes will be fully in effect.
- In the long run, the U.S. economy, as measured by GDP, is estimated to be smaller by between 1.5 percent and 2.6 percent if the current differences in corporate tax rates remain.
- In today's $15.7 trillion economy, the long run impact on the U.S. economy is equivalent to a reduction in U.S. GDP of about $235 billion to $345 billion each year.
- In the long run, real wages would be about 1.0 percent to 1.2 percent lower than they would have been otherwise.

TPA has been urging Washington to overhaul the tax code for many years, and we have specifically discussed the importance of moving on corporate tax reform so that the economy can grow because of an encouraging corporate tax policy that welcomes innovation and competition. As America has stood still with tax reform, other nations have aggressively worked to reform their business tax codes resulting in an average rate of just 25 percent among OECD nations – a full 10 percentage points lower than the current U.S. corporate rate.

The high corporate tax rate not only causes damage from a domestic standpoint, but it also hurts foreign investment. Foreign countries are deterred from investing in the United States while at the same time encouraging U.S. companies to relocate. From 2000 to 2011, the U.S. lost a net of 46 Fortune Global 500 company headquarters to other, lower-tax countries in Europe and Asia. The loss of these headquarters not only creates a loss of significant, often higher-paying jobs, it also dismantles what is usually the centerpiece of a community.

The solution is simple: ensure the rate is competitive and fosters innovation and competition for businesses in the United States. The responsibility is now on Washington to accomplish this lofty but achievable goal. It is encouraging to see the recent activity on tax reform and real attempts at outreach both inside and outside Washington, from CEOs to the average voter. The question now shifts to what kind of action will be taken, if any at all. TPA will continue to push for meaningful corporate tax reform and we hope that this public discussion on comprehensive tax reform leads to substantive reforms from Congress.

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Taxpayers Protection Alliance