



DEMOCRATS' TAX HIKES LET CHINA WIN

Simple comparison shows U.S. job creators lose under Biden plan

Democrats' proposed \$2 trillion tax increase would overwhelmingly apply to U.S.-based businesses, not their foreign competitors. If Democrats successfully impose their reckless tax increases on our businesses, China will gain the global edge on jobs, investment and innovation.

BIDEN PLAN	CHINA
Corporate Rate	
32% combined rate (28% plus state taxes) <ul style="list-style-type: none"> • Highest rate in developed world • Even with a 25% federal rate, the combined corporate rate would be 30% -- well above Chinese rates 	25%, but with a special 15% rate for: <ul style="list-style-type: none"> • High-tech businesses • Software businesses 5% rate for most small businesses 0% rate for certain new businesses
Manufacturing/IP Tax Policies	
<ul style="list-style-type: none"> • No proposed extension of R&D expensing past 2021 • Repeal FDII, which encourages retaining valuable IP in America 	<ul style="list-style-type: none"> • 175% super deduction for R&D • 200% super deduction for manufacturing businesses with R&D expenses
Global Minimum Tax on Foreign Earnings	
<ul style="list-style-type: none"> • 21% statutory rate – 26.25% effective tax – on active foreign earnings of U.S. companies 	<ul style="list-style-type: none"> • No global minimum tax – 0% tax applied to active foreign earnings of Chinese companies

Consider this example, assuming a semiconductor company engaged in \$250k of R&D:

2022 TAX YEAR, BASED ON BIDEN PROPOSALS		
	U.S. Company	Chinese Company
Domestic taxable income before R&D incentives	750,000	750,000
R&D incentives		
<i>R&D amortization over 5 years (U.S.)</i>	(50,000)	N/A
<i>200% R&D super deduction (China)</i>	N/A	(500,000)
Domestic taxable income	700,000	250,000
Domestic combined statutory rate	32%	15%
Tax on U.S. income	224,000	37,500
Foreign earnings	250,000	250,000
Global minimum tax rate	21%	0%
Tax on foreign income	52,500	-
Total Tax	276,500	37,500

Note: U.S. taxpayers can elect a tax credit on a portion of R&D in lieu of expensing

Democrats' reckless tax hikes would make the United States an outlier once again:

- Highest combined corporate rate among developed countries
- The only country with a global minimum tax – at a statutory rate of 21% and effective rate of 26.25%
- Policies that encourage offshoring of R&D and IP
- U.S. companies **would be at a severe competitive disadvantage to Chinese companies**, meaning less domestic innovation, fewer American jobs, and increased reliance on foreign countries for critical technologies.