



## **Cutting corporate tax rates would help Peoria**

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A major priority of the next Congress will undoubtedly be to pass tax reform that entails lowering tax rates and paying for the reduced revenues by getting rid of various deductions and credits, most of which go to the well-off.

While everyone should appreciate a tax code that takes less of each earned dollar, its most important ingredient will be to fix how we tax business income. The goal ought to be a fairer tax code more conducive to economic growth. The current corporate income tax - at 35 percent, nearly the highest in the world - is neither.

Other countries have reduced corporate rates because they realize it's harmful to economic growth. The UK's rate will soon be just 17 percent.

A high corporate rate depresses investment in factories and capital equipment. Since companies get to keep less of each profit dollar, they find fewer profitable activities to pursue. Or worse, they invest in countries with lower rates or eschew the U.S. altogether and domicile in another country.

While some decry such tax reform as nothing but a sop for the rich, the reality is otherwise. All taxes are ultimately paid by people; the corporate tax is paid not just by shareholders but by workers. Less capital investment means they're less productive. Productivity determines wages. So they earn less because of the high corporate tax.

The truth is that it's simply not that progressive of a tax. A study published by the Congressional Budget Office suggests workers bear the majority of its costs. Progressivity in the tax code is certainly important, but it can be done more efficiently and at a lower cost to economic growth via the personal income tax.

Another problem is that it tries to tax profits earned by U.S. businesses operating abroad. That makes it more difficult for U.S. corporations to compete against foreign companies that face a much lower rate. What's more, it discourages U.S. multinationals from bringing their profits home. U.S. corporations currently have \$2 trillion of profits parked overseas.

A tax code more amenable to economic growth would be good for everyone: From 1996-2000, when economic growth averaged 4 percent, the income of people in the bottom quintile rose appreciably, and income inequality lessened dramatically.

Fixing our broken tax code is the most obvious way to boost economic growth. Without more of it, we cannot hope to improve living standards, fund infrastructure spending, etc. It behooves Congress to make it a priority in 2017. If Republicans can't do that, their control of Congress may be short-lived.

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