

ARIZONA CAPITOL TIMES

Long-awaited federal tax proposal holds promise for Arizona

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October 26, 2017

At last, tax reform is taking center stage. After years of waiting and months of trying to read the tea leaves, Washington will now turn its attention in earnest to a real, substantive blueprint that has buy-in from the White House and congressional leadership. Our tax code hasn't been overhauled since President Reagan and his Treasury Secretary James Baker reached across party lines to deliver the Tax Reform Act of 1986. Since that time, the tax code has become a sorry mess – outdated, onerous, complex beyond measure and a heavy burden for businesses and individuals as they try to compete and succeed. Comprehensive tax reform is long overdue. The stakes are high nationwide, but particularly so for a state like Arizona, which has seen more than its share of job loss and economic hardship. A more competitive tax code – one built to boost workers, increase global competitiveness, and spur growth – would make a significant impact in Arizona. It would be a significant victory for everyone in Arizona, especially the working middle class. Here's why.

Tax Foundation analysis of the previous House tax reform blueprint showed that the state of Arizona would gain around 31,400 new jobs and that the average Arizona household would take home an additional \$4,500 each year after taxes. While high corporate tax rates may sound more like a problem for Fortune 500 tax accountants than for assembly line workers, the reality is much different. Research has shown that high corporate rates are imposing a significant burden on the workforce. According to a report from American Enterprise Institute scholars Aparna Mathur and Kevin Hassett, who was recently confirmed as chair of the President's Council of Economic Advisers, every 1 percent increase in the corporate tax rate results in a half-percent decrease in wages. Another report, authored by Andrew Hanson of Marquette University and Ike Brannon of the Cato Institute, concluded that each 10 percent reduction in the corporate tax rate would drive a 4 percent increase in overall employment and a 5 percent increase in wages. Tax reform, in other words, is a win for the worker. It's also a win for the nation at large, making the American economy more competitive in the global marketplace. As of today, the U.S. is the only member of the world's most advanced economies to use what is called a worldwide tax system. This outdated structure means that American companies that earn profits abroad are taxed twice – once by the foreign country and then by the U.S. – whereas their foreign competitors are only taxed once.

The blueprint shifts us to a territorial tax system, leveling the playing field and helping our companies compete. The plan makes it easier for American companies to bring foreign earnings

back to American soil for reinvestment. Done right, these international tax changes would result in trillions of dollars flowing back home.

In addition to bringing multinational earnings back to the U.S., tax reform can also spur foreign investment on American soil. A study by the Business Roundtable suggests that a corporate tax rate reduced to 25 percent would have resulted in \$110 billion more in foreign direct investment into the U.S. from 2004 to 2012.

Numbers don't lie, and the empirical case for tax reform is exceedingly strong. But the argument for reform is about more than numbers. It's about our government providing its people and businesses with the best possible opportunity to succeed. It's about giving the Grand Canyon State what it needs in order to keep its businesses strong and its workers satisfied. It's about helping small businesses get off the ground, grow, and create opportunity. And it's about keeping money in the pocket of the American family rather than in the coffers of the federal government.

After 30 years, we have a plan to make those things happen, and the political will to pursue that plan. Let's take advantage of this once-in-a-generation opportunity, make the hard choices, and deliver tax reform to the American people.