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Commentary: Tax proposal holds promise for Tennessee

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At last, tax reform is taking center stage.

After years of waiting and months of trying to read the tea leaves, Washington is laser focused on tax reform. Just last week, the Senate joined the House in passing a comprehensive tax reform package.

A conference committee made up of members of both chambers will now meet to hash out the differences. The hope is to have a bill on the President's desk by the end of the year.

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 Since that time, the tax code has become a sorry mess — outdated, onerous, complex beyond measure and a heavy burden for businesses and individuals as they try to compete and succeed.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 Tennessee, 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 Tennessee. It would be a meaningful victory for the citizens of Tennessee, especially the working middle class. Here's why.

According to the Tax Foundation, the initial Senate version of the Tax Cuts and Jobs Act would result in Tennessee gaining nearly 19,000 new jobs and the average Tennessee household taking home an additional \$2,259 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 the White House Council of Economic Advisors, cutting the corporate tax rate from 35 percent to 20 percent would increase average household income in the United States from \$4,000 to \$9,000 annually. 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 four 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 Tax Cuts and Jobs Act shifts us to 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.

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 helping Tennessee-based companies like FedEx, AutoZone, and Jack Daniels keep their businesses strong and their 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 these things happen, and the political will to pursue that plan. Congress should advantage of this once in a generation opportunity, make the hard choices, and move forward to deliver tax reform to the American people.