

Guest Columnist: Corporations need fair taxes, not tax cuts

George Brosi

September 29, 2017

President Trump and the Republicans argue that we should lower taxes on corporations so that they will create jobs. However, lowering corporate taxes does not create jobs.

The Institute for Policy Studies released a report this year that showed that corporations that paid less taxes hired fewer workers. The job creation records of the 92 American corporations that paid less than 20 percent of their earnings in federal income taxes every year from 2008 until 2015 actually laid off workers. The median job growth of these companies was negative 1 percent. In contrast, the job growth for all American corporations was 6 percent. Instead of creating jobs, those corporations that had the lowest effective tax rates increased the pay of their top executives more than other American corporations.

Corporations do not pay a disproportional share of taxes in the United States. The portion of overall government tax income that corporations pay has dramatically declined in relation to what individuals pay. According to research by Americans for Tax Fairness, in 1952, the corporate share of federal tax revenue was 32 percent. By 2013, it had dropped to 10 percent.

Corporations, like individuals, benefit from tax credits and exemptions, so their effective tax rates are much less than the 35 percent rate that President Trump continually cites. In fact, the corporate tax rates start at 15 percent, and the 35 percent rate applies only to corporations earning more than \$18 million. According to the Congressional Budget Office, the average effective tax rate of American corporations is 18.6 percent.

And many corporations pay dramatically less or nothing at all. In contrast, according to the IRS itself, the average American individual's effective income tax rate is 29.8 percent — almost 30 percent compared to less than 20 percent. This figure for individuals considers federal, state and local income taxes, plus social security and Medicare taxes that are based on income — not counting sales and property taxes.

However, many American corporations do not pay tax on nearly all of their income. Instead they often form subsidiaries headquartered in countries with little or no corporate taxes and attribute most of their profits to these offshore tax havens. According to Americans for Tax Fairness, U.S.

corporations dodge \$90 billion a year in income taxes this way. They hold \$2.1 trillion in profits offshore.

Democratic Senator Carl Levin of Michigan has introduced legislation that would raise \$220 billion over ten years by closing some of these tax loopholes, and Senator Bernie Sanders of Vermont has proposed tougher legislation that would raise \$600 billion over the same time period.

Furthermore, we must consider the subsidies that American taxpayers give to our corporations. The CATO Institute estimates that the U. S. Federal Government spends \$100 billion a year on corporate subsidies. This effectively refunds the tax payments of many corporations.

President Trump will benefit personally by lowering corporate taxes, but this will simply increase the tax burdens on the American people.