THE DAILY CALLER

Study: High US corporate tax rate hinders growth, drives jobs overseas

By Betsi Fores, Reporter
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An analysis by the Cato Institute ranks the United States fourth among 90 countries for the highest corporate tax rate.

The overall rate of 35.6 percent "is almost twice the average rate for the 90 countries studied, and it is also the highest rate among the major industrial nations," the study says.
"These results underscore the need for U.S. policymakers to tackle corporate tax reform."

For the last decade, high corporate tax rates have been driving an increasing amount of U.S. businesses overseas, to incorporate themselves in foreign tax havens.

Between 2000 and 2011, the U.S. experienced a net loss of 46 Fortune Global 500 company headquarters, according to a report by Ernst and Young.

Japan once shared with the U.S. the distinction of having the highest corporate tax rates of any developed country. These tax rates have resulted in large businesses moving to tax havens and countries with substantially lower tax rates, like Ireland or Switzerland.

Recently, however, Japan, lowered their corporate tax rate, meaning the U.S. now levies the highest corporate tax rate of all Organisation for Economic Co-operation and Development (OECD) countries, at rate of 35 percent. The average OECD corporate tax rate is 25 percent.

A 2008 Government Accountability Office report found that 83 of the 100 largest publicly traded U.S. corporations had subsidiaries in jurisdictions listed as tax havens. Also, 63 of the 100 largest publicly traded U.S. federal contractors had subsidiaries in such jurisdictions.
"Of the 34 OECD nations, 30 have lowered their statutory corporate income tax rates since 2000. The United Kingdom is scheduled to lower its corporate tax rate to 23% by 2015. Canada has lowered its federal corporate tax rate to 16.5% in 2011, with a reduction to 15% in 2013,"according to a report by Ernst and Young.
"The U.S. has lagged behind its OECD counterparts when it comes to such tax reform and remains the only developed country with a tax rate over 30 percent and a worldwide system," the report adds.
Rates this high put U.S. corporations at a competitive disadvantage. U.S. corporations have been forced to look elsewhere to file taxes, a decision based strictly on business bottom line.

A decade ago many companies began to incorporate in Bermuda and the Cayman Islands in order to avoid high taxes. When company Stanley Works announced they would incorporate to Bermuda in 2002, they forecast savings of $30 million.

Though the company ultimately caved to pressure from lawmakers and ended up not incorporating in Bermuda, Stanley Works's chief executive told the New York Times their ability to compete globally was being undermined by the U.S. tax code. Transportation manufacturer Ingersoll-Rand, which already completed its reincorporation in Bermuda on Dec. 31, estimated saving as much as $60 million on its 2002 tax bill, according to company spokesman Paul Dickard.

"Hundreds of companies, and over $1.1 trillion dollars, are now being kept overseas providing nothing to the US economy due to stringent tax laws and regulations which make it difficult to invest, create new jobs, and find profitability if incorporated in America," the Examiner reported last year.
In a poll taken in January on the Fair Tax — a tax plan that would scrap the current one and instate a national sales tax — over 500 companies said they would instantly move back to the United States if this tax structure were implemented in the economy.
As the U.S. government began to crack down on tax rules in 2009, companies looked to Europe to ease their tax woes, mainly Ireland and Switzerland.

"Basically the reason why it's happening now is the concerns that the Obama administration may close some of the loopholes," said Mark Brown, an analyst with Pritchard Capital Partners to the Wall Street Journal.
In 2008, manufacturer Tyco International and Foster Wheeler — both of which were incorporated in Bermuda — announced they would re-incorporate in Switzerland.

In 2011, the Finance Examiner reported that Cisco Systems moved eight different companies to Ireland, where the tax rate is at 12.5 percent.

Google, Facebook, and several other technical firms also enjoy Ireland's low tax rate and employ over 100,000 workers there.

Even federal contractors have employed creative ways to avoid the steep tax rate of the U.S.

For, example, Kellogg Brown & Root, the nation's top Iraq war contractor, has avoided paying hundreds of millions of dollars in federal Medicare and Social Security taxes by hiring workers through shell companies based in this tropical tax haven.
Republicans have been pushing for lower taxes for some time. Republican vice presidential nominee Paul Ryan proposed a plan that included a top 25 percent corporate tax rate.

There has also been some degree of bipartisanship over lowering corporate taxes, as a plan cosponsored by Democratic Oregon Sen. Ron Wyden and Indiana Republican Sen. Dan Coats sought to lower the corporate rate to 24 percent.

Even President Obama expressed has expressed support for alleviating the corporate tax burden and, in 2010, the President's National Commission on Fiscal Responsibility and Reform proposed lowering the top federal corporate income tax rate to 28 percent.