U.S. Should Lower Corporate Taxes to Compete for Industry

Chris Woodward (OneNewsNow.com)
October 03, 2012

An expert on federal and state tax says the U.S. continues to shoot itself in the foot with its high corporate-tax climate.

Chris Edwards is director of tax policy studies at the Cato Institute. He says the current legal corporate tax rate of nearly 40 percent is higher than every country in Europe and every industrialized country around, and that is only part of the problem.

Edwards
"People point out that with the legal rate or statutory rate, corporations take advantage of lots of loopholes so the actual amount of tax they pay is lower than the legal or statutory rate, which is sometimes true," Edwards notes.

"But the new study from the Cato Institute shows that, of 90 countries, the United States has the fourth highest effective corporate tax rate in the world at about 36 percent."

When it comes to companies looking to move or build new operations, some experts on the matter argue that no one can blame a company for looking at Ireland, Canada, and other nations with much lower corporate tax rates. Edwards agrees with that analysis.

"When you're talking about Intel or Caterpillar or General Electric, they have global operations," he tells OneNewsNow. "They not only sell stuff in just about every country of the world, they make stuff in other countries as well. When, say, Intel builds a new semiconductor plant, they're going to look around where they can find smart people, but also where they can find the best financial condition, with the lowest taxes.

Edwards adds that it is not just U.S. companies that need to be considered.

"You may have to think about foreign companies. When Daimler Corporation builds a new automobile plant, we want them to build that plant in the United States and not Canada or Mexico," he points out. "We have to be thinking about keeping American companies investing at home and attracting foreign multi-national companies to invest here in the United States as well."

Edwards and Cato believe the U.S. should maintain a tax rate that matches that of countries that are competing with the U.S. for industry.

"The average of the major industrial countries in the world now is just 25 percent, so I think we ought to slash our rate to match the competition," Edwards declares. "Frankly, we should go further. We are shooting ourselves in the foot with this high corporate-tax climate."

The new study is available at the Cato website.