Does Obama’s Corporate Tax Plan Make the Grade?

By Kevin Chupka | February 23, 2012

President Obama's plan to slash corporate tax rates from 35% to 28% and overhaul the business tax system is meeting its fair share of criticism after being unveiled yesterday. While the headline number seems to appease both sides of the aisle, the rest of the Administration's plan is raising questions about which "loopholes" will be closed to pay for the tax rate decrease, and will they open the door to even more workarounds.

"The president says he wants to increase overall revenue from corporations, so while he lowers the headline rate a little bit, he broadens the base in sometimes damaging ways," says Chris Edwards, director of tax policy at the Cato Institute.

For Edwards those "damaging ways" include new tax loopholes for things like green cars and buildings, incentives to increase wages and tax credits for manufacturing.

The plan also proposes to bring back money earned by American companies overseas by imposing a new tax on profit made overseas.

"This administration wants to penalize the foreign operations of U.S. companies," says Edwards. "Those foreign earnings were earned in the foreign country, they pay tax on those profits in the foreign countries. There's no real reason why the U.S. Government ought to have a claim on that foreign money."

Still for all its faults, Edwards grades the plan a "C."

"It does show that both democrats and republicans support the idea of overhauling our tax code," he says. "There is general concern that we are scaring away investment because of the current tax code."

Despite the President's plan, Edwards doesn't see much movement being made on the issue amid a contentious election season and a Congress that's slow to move on everything these days. He believes we won't see any real progress until 2013 and the next Congress and perhaps the next President.