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# Business in The Beltway

Covering the intersection of money and politics

## Higher Corporate Taxes Undermine American Competitiveness

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[Daniel J. Mitchell Bio](#) | [Email](#)

Dan Mitchell is a Senior Fellow at the Washington-based Cato Institute, a free-market think tank.

The Democrats are trying to cram through another [special-interest piece of legislation](#), which they are calling (depending on the audience) either a tax-extendors bill or a stimulus bill. But they've been having trouble getting enough votes for this motley collection of welfare-state provisions and special-interest tax breaks, in part because of the public's growing hostility to wasteful and corrupt Washington spending. The proposal finally has been approved by the House, but only after the leadership made some (mostly cosmetic) changes to get the votes of a sufficient number of gullible "Blue Dog" Democrats.

The Blue Dogs claim to be fans of fiscal responsibility, but they look at the issue through a very distorted lens. As the Obamacare vote demonstrated, they will vote for big and bloated government so long as the new spending is "offset" - at least on paper - by big tax hikes. This is one of the reasons why Pelosi & Co included billions of dollars in corporate tax hikes in the tax-extendors/stimulus legislation.

What the Democrats (either the blue or pink variety) apparently don't understand, though, is that corporations don't pay taxes. Yes, companies often write checks to the IRS, but all [corporate taxes are really a burden on workers](#), consumers, and shareholders. Moreover, in a world where jobs and investment can cross borders looking for better tax policy, a [high corporate tax rate is a huge competitive liability](#) for a nation. These are some of the main points in [this video on corporate taxation](#).

Unfortunately, America's corporate tax rate is among [the highest in the world](#). The federal tax rate is 35 percent and state corporate tax systems push the overall tax rate up to about 40 percent. According to KPMG, this gives America the 3rd-highest corporate tax rate (out of 116 jurisdictions) in [KPMG's annual survey](#) behind only the United Arab Emirates and Japan (and tied with Libya). We do "better" in the [PWC/World Bank study](#) of the total tax rate, scoring 118 out of 179 nations. But beating Argentina and the Central African Republic is hardly something to brag about. A new [Cato Institute study looking at effective corporate tax rates](#), meanwhile, shows the United States with the highest burden of all developed nations.

With numbers like this, no wonder some American companies have decided to move to other nations, with some [even choosing Canada](#). Yet rather than fix the problem with a lower corporate tax rate, Obama and the Democrats want to increase the company tax burden - particularly on [American multinationals that are trying to compete in global markets](#). Fortunately, that [proposal is temporarily stalled](#), but with deficits and debt at record levels and almost no appetite for genuine spending restraint on Capitol Hill, this almost certainly means that politicians will continue to look at companies as potential ATM machines to finance bigger government. That's good news for China and India, but bad news for American workers.

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