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PolitiFact: U.S. is undertaxed compared to competitor nations

By Louis Jacobson, Times Staff Writer

The statement

"I don't think the argument can be credibly made that the United States of America is undertaxed compared to our competitors."

Tim Pawlenty, on Monday in a breakfast with journalists in Washington, D.C.

The ruling

Tim Pawlenty - Minnesota's Republican governor and a likely candidate for president in 2012 - met with Washington reporters Monday, and one thing he said made it into the reports of at least two of the journalists, Ruth Marcus of the *Washington Post* and John Dickerson of *Slate.*

Asked what his reaction would be if a presidential commission on the national debt recommended a mix of spending cuts and tax increases, Pawlenty said, "Not good. I don't think the argument can be credibly made that the United States of America is undertaxed compared to our competitors."

In a column, Marcus took aim at Pawlenty's claim.

"The United States is on the low end in terms of the overall tax burden - 28 percent of gross domestic product in 2007, according to the Organization for Economic Cooperation and Development, compared with an average of 36 percent in the 30 OECD countries," she wrote. "Only South Korea, Mexico and Turkey were lower."

The OECD chart is exactly what we would have checked, too. But we wanted to check with a few tax experts to make sure she didn't miss anything in her analysis.

Three experts we queried - Daniel J. Mitchell, a senior fellow at the libertarian Cato Institute, William Ahern, the director of policy and communications at the Tax Foundation, a tax research group, and Dean Baker, co-director of the liberal Center for Economic and Policy Research - all agreed with Marcus' conclusion, though Ahern and Mitchell added some context.

Ahern said that tax-burden-to-GDP ratios, data that underlies the OECD chart, should be used carefully because they can obscure deficits. A country with a low tax-to-GDP ratio may have a substantial deficit, and in time, that will put upward pressure on taxes. So nations with low tax-to-GDP ratios may not find those ratios sustainable

Mitchell agreed with Marcus' point about the overall tax burden, but noted that in the United States, the burden from different types of taxes varies. Corporate taxes, for instance, are among the highest of the OECD nations. Others are closer to average.

Indeed, when we contacted Pawlenty's camp, a spokesman cited the high U.S. corporate tax rates.

Despite the caveats from our experts, we see no reason to undercut Marcus' finding that the United States ranks low among other developed countries in total tax burden. Corporate taxes are comparatively high, but they only accounted for 12 percent of federal tax revenues in 2008, so we don't think it's valid to focus on that factor to the exclusion of the broader tax burden.

We won't take a position on the question of overtaxation, but we think that, contrary to what Pawlenty said, a credible argument could be made that the United States is undertaxed compared to its competitors. We rate his claim False.

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