RATE COALITION FACT SHEET

THE DEVASTATING CONSEQUENCES OF A CORPORATE TAX HIKE

THE ARGUMENTS AGAINST A CORPORATE TAX INCREASE

- Increasing the corporate tax rate to 28% raises the US rate to the highest rate in the world.
- With inflation at a 40-year high and economic experts forecasting a global recession, now is not the time to raise taxes.
- Raising the corporate tax rate would be harmful to economic growth, resulting in higher prices, lower wages, and fewer jobs.
- Raising the corporate rate would hit millions of small businesses and working families struggling to get by.

HIGHEST TAX RATE IN THE WORLD

- The Biden proposal would raise the combined federal-state tax rate to 32.8%, higher than every other OECD country but one.
- This higher US rate would be much higher than the average European and OECD rates, putting US companies at a significant competitive disadvantage against our global competitors.
- According to a new report, "The Limits of Taxing the Rich," the current US rate of 25.8% is the 13th highest among 38 OECD nations, and higher than all four Nordic nations.
- The report notes that since 2000, all but two OECD countries have cut their corporate rate, motivated by "intense global competition for investment, markets, consumers, and workers."
- Under Biden's plan, the US rate would be much higher than China's tax rates, which are as low as 10% and 15% on industries critical to establishing global supply chain dominance.

CORPORATE TAX RECEIPTS ARE SOARING

- It makes no sense to raise corporate taxes when corporate tax receipts have soared to record high levels.
- Corporate tax receipts in fiscal 2022 totaled $425 billion, the highest level ever, and more than double the amount corporations paid in fiscal 2020.
- According to preliminary estimates, corporate receipts in fiscal 2023 are at about the same level ($420 billion), a level $25 billion higher than CBO forecasted for 2023 prior to the 2017 tax cuts.
- As a share of the economy, corporate tax receipts are at 1.7% of GDP, higher than the 40-year average level.
- At the 21% rate, US companies are contributing more to federal revenues than ever before, showing that a lower, not higher, tax rate can raise more revenue.

NEGATIVE ECONOMIC IMPACT OF HIGH TAX RATES

- Economic research has shown that increasing the corporate tax rate is the most economically damaging tax increase. (Tax Foundation, Aug, 2022)
- Numerous studies have shown that raising the corporate tax rate would be harmful to economic growth, resulting in lower economic output, higher prices, lower wages, and fewer jobs.

- A recent Tax Foundation study found that raising the corporate tax rate would reduce economic output, lower wages, and eliminate jobs.
- A Penn Wharton study found that the Biden tax increases would reduce economic growth, cut capital investment, and reduce wages and hours for working families.
- With the Federal Reserve launching a series of interest rate increases, economists are warning of the rising risks of a new recession. A corporate tax rate increase is the last thing our economy needs.

LOWER WAGES FOR WORKING FAMILIES

- Study after study has shown that raising the corporate tax rate leads to lower wages for working families.
- Studies have shown that as much as 70% of the burden of a corporate tax rate increase falls on working families.
- A Federal Reserve Board study study found that a corporate tax rate increase would be "uniformly harmful to workers," and would cost a typical American household thousands of dollars a year in lower wages.
- When the corporate tax rate was reduced to 21%, real wages grew nearly 5% in the first two years, the fastest growth rate in 20 years. Real medium income increased in 2019 by the largest amount in U.S. history.

HIGHER PRICES FOR CONSUMERS

- With inflation soaring at 8.3%, a corporate tax hike would raise costs even higher across the economy, increasing prices at the consumer and wholesale levels.
- According to a study by the National Bureau of Economic Research, a corporate tax rate increase would have "a significant effect" on prices.
- The study found that 31% of a corporate tax rate increase would fall on consumers.

MILLIONS OF JOBS LOST

- Studies have shown that a corporate tax rate increase would end up eliminating jobs.
- A study by the National Association of Manufacturers found that the Biden tax rate increase would eliminate 1 million jobs in the first two years, and 500,000 jobs each year after for the next decade.
- The tax increases would so harmful to investment and economic growth that nearly 6 million jobs would be lost in the ten years after enactment.

IMPACT ON SMALL BUSINESSES

- Raising the corporate tax rate would not just hit big corporations, but millions of small businesses as well
- According to the NFIB, nearly 80% of Main Street businesses believe that lower tax rates are crucial to the health of their businesses.
- NFIB members believe that increasing the corporate tax rate would negatively impact a substantial number of small businesses and would be "a disaster for small business."

IMPACT ON WORKING FAMILIES

- Biden constantly claims that his tax increase would not hit anyone earning less than $400,000. A number of studies have shown this claim is incorrect.
- A study by the Joint Committee on Taxation found that the proposed corporate tax rate hike would fall directly on middle-income taxpayers. According to the analysis, 172 million taxpayers would bear the burden of the higher corporate tax rate, with 98% of them with income below $500,000.
- A separate study by the Tax Policy Center shows that 61% of taxpayers would face a tax increase averaging nearly $3,000 a year under the corporate tax rate increase.

RATE COALITION BACKGROUND

- Members of the RATE Coalition **employ over 53 Million Americans** spread throughout all 50 states.
- The companies we represent **pay a combined average Effective Tax Rate above 21%.**
- The RATE Coalition's objective is to maintain America's globally competitive corporate tax rate and create the best climate for our nation's economy, job creators and workforce to succeed into the future.