Economic considerations for raising the US corporate income tax rate

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Outline

• Summary
• Macroeconomic analysis of raising the corporate income tax rate from 21% to 28%
• Problems with raising the corporate income tax rate now, as the economy struggles to emerge from a recession
• The distribution of the burden of the corporate income tax
• How does the US corporate tax rate and corporate tax revenue compare to those in the OECD and BRIC
Summary

- Macroeconomic analysis
  - The Biden administration has proposed raising the corporate income tax rate from 21% to 28% as part of a larger set of tax and spending proposals.
  - The spending proposals include funding infrastructure and other potentially productivity enhancing activities.
  - This study focuses on the macroeconomic effects of the proposed increase in the corporate income tax where some of the revenue raised is used to pay for infrastructure or other potentially productivity enhancing public investments.
  - The study finds that even when 75% of the revenue raised is used to fund productivity enhancing public investments, GDP, private investment, labor income and jobs decline.
Summary (continued)

• Problems with raising the corporate tax now, as the economy is in or just emerging from a recession
  • Tax cuts, not tax increases, are typically seen as the appropriate response to an economic downturn.
  • While the economy appears to be recovering, that recovery remains fragile.
  • Some sectors continue to have significant dislocation in their labor markets (e.g., retail, leisure and hospitality).

• Who pays the corporate income tax?
  • Economists generally agree that workers pay a substantial share of the burden of the corporate income tax, ranging between 20% and 75% depending on the study.
  • This analysis finds that about 1/3 of the burden of the corporate tax is shifted onto labor because labor income declines even when paired with spending on infrastructure.
  • While the corporate income tax is progressive, disproportionately borne by upper income households, much of the burden is on families with incomes well below $400,000, casting doubt on the Biden administration’s claim that its proposed tax increase would not affect such families.
Summary (continued)

• Comparison of corporate tax rates across countries
  • Prior to the Tax Cut and Jobs Act (TCJA) the US had a relatively high corporate tax rate.
  • After the TCJA lowered the federal rate to 21%, the US has a corporate tax rate that is about average for OECD countries
  • Raising the federal tax rate to 28% would leave the US with one of the highest tax rates in the world.
  • In addition to the macroeconomic problems discussed above, this might add to the incentive for profit shifting and inversions. It also might discourage investment in the US in favor of investment in foreign countries. These were problems in the past when the US had a relatively high corporate tax rate.
Summary (continued)

• Comparison of corporate revenues as a share of GDP across countries
  • The US corporate tax is about 1% of GDP, below the 3.2% average for the OECD.
  • Historically, the US has collected corporate tax revenue that is below the average of OECD countries. One important reason for this is that the US has a larger pass-through business sector than do most other OECD countries.
  • The Tax Cut and Jobs Act (TCJA) lowered corporate income taxes by design, as a reflection of intended tax policy. This effect was dramatic in 2017 and 2018. However, the size of the tax cut fades over time, e.g., because of phase out of 100% bonus depreciation through 2026.
  • A comparatively low tax to GDP ratio for the US is not in and of itself indicative of a problem. The US should design tax policy to promote the goals of simplicity, equity, efficiency and growth. It should not merely mimic the policies of its neighbors.
Macroeconomic analysis of raising the corporate income tax rate from 21% to 28%
Summary of results

• Even when a substantial portion of the tax revenue raised is assumed to be spent on productivity enhancing public investments, the increase in the corporate tax rate lowers GDP, investment, labor income and jobs in the short run and long run.
  • When 75% of the revenue is used to fund productivity enhancing public investments, GDP falls by about 0.32% or $72 billion annually and the loss in annual labor income is equivalent to losing over 700,000 jobs.
• The economic losses accumulate over time as the tax increase’s effects accumulate.
• The losses are larger, the smaller the percentage of revenue used to fund productivity enhancing public investments.
• The analysis finds that labor bears about 1/3 of the burden of the corporate tax revenue increase, a share consistent with the views of some other economists. This share is not materially affected by the extent to which revenue is allocated to productivity enhancing public investment.
Scope of analysis

- This analysis estimates the macroeconomic impact of increasing the US corporate income tax rate from 21% to 28% in combination with increased “infrastructure spending” as proposed by the Biden administration.¹
- Revenue from a policy change must be used in some way, whether it is to fund tax decreases, spending increases, deficit reduction, or a combination thereof; this analysis includes four scenarios:
  - Use 100% of the revenue raised from the corporate income tax rate increase to fund government transfers; these transfers do not increase the productive capacity of the United States
  - Use 25%/50%/75% of the revenue raised from the corporate income tax rate increase to fund productivity enhancing public investments (e.g., infrastructure) and the rest to fund non-productivity enhancing transfers.²
- Estimates are produced using the EY Macroeconomic Model of the US Economy. This model is similar to some of the models used by the JCT and Treasury to analyze tax policy changes.

² Views differ on the extent to which the Biden administration’s $2.7 trillion (as amended) of proposed spending would be on productivity enhancing activities. Some Republicans say it as low as 5% to 7% (Geoff Colvin, “How much infrastructure in Biden’s infrastructure plan?” *Fortune*, April 6, 2021), The Penn Wharton Budget Model assumes that over 75% is potentially productivity enhancing, but the extent of the productivity gain varies across programs (Penn Wharton Budget Model, “President Biden’s $2.7 trillion American Jobs Plan: Budgetary and Macroeconomic Effects,” April 7, 2021). The 0% to 75% range spans the range discussed by others.
Modeling approach

- This analysis uses the EY Macroeconomic Model of the US Economy to estimate the macroeconomic impacts of increasing the corporate income tax rate to 28%
- The model used for this analysis is similar to those used by the Congressional Budget Office, Joint Committee on Taxation (JCT), and US Treasury Department; key model parameters are generally from JCT\(^1\)
- The corporate income tax rate increase is modeled as a change in the cost of capital and the EY Macroeconomic Model of the US Economy then simulates how households and businesses would respond to such a policy shock
- An increase in the corporate income tax rate will generally raise the cost of capital and reduce new investment in the United States; with less investment there is less capital available for each worker to work with, labor productivity falls, and the wages are lower than they would otherwise be. Ultimately, Americans’ standard of living would decline

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Macroeconomic impact of increasing corporate income tax rate to 28%

### Scenario 1:
Increase corporate income tax rate to 28%, revenue funds gov’t transfers

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<thead>
<tr>
<th></th>
<th>2022-31</th>
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<tbody>
<tr>
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Annual impacts relative to 2021 US economy

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<td>Job equivalents (thousands)</td>
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### Scenario 2:
Increase corporate income tax rate to 28% with productive spending (25% of revenue funds productive infrastructure; outside of budget window public capital expenditures maintain total factor production (TFP) increase)

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### Scenario 3:
Increase corporate income tax rate to 28% with productive spending (50% of revenue funds productive infrastructure; outside of budget window public capital expenditures maintain TFP increase)

### Scenario 4:
Increase corporate income tax rate to 28% with productive spending (75% of revenue funds productive infrastructure; outside of budget window public capital expenditures maintain TFP increase)

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Caveats and limitations

- Any modeling effort is only an approximate depiction of the economic forces it seeks to represent, and the economic model developed for this analysis is no exception. Although various limitations and caveats might be listed, several are particularly noteworthy.

  - **Estimated macroeconomic impacts based on stylized depiction of US economy.** The general equilibrium model used for this analysis is, by its very nature, a stylized depiction of the US economy. As such, it cannot capture all of the detail of the US economy or the existing US tax system.

  - **Macroeconomic estimates are sensitive to the particular way that tax revenue is used.** Because of the government’s budget constraint, it is not possible to separate entirely the impact of a given tax increase from the impact of the use of the revenues it may generate. Revenue raised in this analysis must be used in some way and how the revenue is used can affect the estimated impacts. Typical uses of the revenue in analyses like this have included deficit reduction, government spending or transfer increases, tax reductions, or a combination thereof. This analysis reports results for four assumptions: an increase in government transfer spending that does not enhance productivity then 25%/50%/75% of revenue used for productivity enhancing investments and the rest for transfers. This range seems broadly representative of the range that has been asserted or assumed by other groups for the allocating the $2.7 trillion spending in the American Jobs Plan or the spending in its predecessors. Assuming other uses of the revenue could produce different results than those obtained in this analysis.

  - **Full employment model.** The EY Macroeconomic Model of the US Economy, like many general equilibrium models, focuses on the longer-term incentive effects of policy changes. It also assumes that all resources throughout the economy are fully employed; that is, there is no slackness in the economy (i.e., a full employment assumption with no involuntary unemployment). Any increase in labor supply is a voluntary response to a change in income or the return to labor that makes households choose to substitute between consumption and leisure.

  - **Estimated macroeconomic impacts limited by calibration.** This model is calibrated to represent the US economy and then forecast forward. However, because any particular year may reflect unique events and also may not represent the economy in the future, no particular baseline year is completely generalizable.

  - **Estimates are limited by available public information.** The analysis relies on information reported by government agencies (primarily the Bureau of Economic Analysis and Internal Revenue Service). The analysis did not attempt to verify or validate this information using sources other than those described in this appendix.
Caveats and limitations (continued)

- **Stylized modeling of productivity-enhancing infrastructure spending.** The productivity increases included in the productivity-enhancing government spending scenarios are consistent with estimates of productivity found in the economic literature on public infrastructure. Our approach is to impose productivity increases that are consistent with those found in the literature on the effects of increases in the stock of public capital, such as roads, bridges, and other types of public infrastructure. There is no consensus in the academic literature on the responsiveness of private output with respect to changes in the stock of public capital. However, this report is consistent with the Congressional Budget Office’s review of the academic literature and related analysis that estimated a 1% increase in public capital would be associated with an increase in private output of between 0.04% and 0.09% in the long run. The moderate increase in productivity scenarios are calibrated such that a 1% increase in public capital is associated with a 0.065% increase in private output. This is the center of the 0.04% and 0.09% range. See Congressional Budget Office, *The Macroeconomic and Budgetary Effects of Federal Investment*, June 2016.

Depending on the specifics of a policy proposal, the effects could be significantly different than those reported in this analysis. That is, specific policy proposals could result in differences in the overall magnitude of the impact, the adjustment costs associated with the investment, and the sector-specific impact resulting from the investment. Overall, the results of this analysis should be viewed as illustrative of the potential impact of a stylized increase in productivity associated with government spending. Any specific policy proposal should be explicitly modeled to examine its economic impact.

An additional area of uncertainty is the time horizon in which funding for public infrastructure investment is spent and when this public infrastructure investment, in turn, impacts productivity in the private sector. Specifically, while public infrastructure can generally be used and impact the productivity of the private sector once it is built, large increases in federal infrastructure can be subject to significant delays. For example, in the aftermath of the American Recovery and Reinvestment Act of 2009, less than 10% of infrastructure funds had been spent by the end of fiscal year 2009. This analysis assumes that investment in public infrastructure is spent ratably over four years. See Congressional Budget Office, “Policies for Increasing Economic Growth and Employment in 2012 and 2013,” Testimony/statement by Douglas W. Elmendorf, CBO Director, November 15, 2011.

There is also uncertainty surrounding how spending policy will evolve outside of the 10-year budget window. This analysis assumes that productivity-enhancing spending will continue at the level necessary to maintain the increase in productivity obtained by the end of the 10-year budget window. That is, the increase in productivity obtained by the end of the 10-year budget window is assumed to be maintained permanently.
Problems with raising the corporate income tax rate now, as the economy struggles to emerge from a recession
Problems with raising the corporate income tax rate during or emerging from a recession

- The Great Depression may provide a sobering object lesson on the dangers of raising taxes in a recession.
  - The tax increases between 1929 and 1932 are credited by some with helping to turn a recession into a depression, as are the Smoot-Hawley tariffs (another tax increase), even though the prevailing view is that fundamentally the Great Depression was caused by a combination of ill-advised monetary policy and a fall in aggregate demand.¹

- There remains a widespread view that the US economy is not yet out of the danger zone. It would be imprudent to raise taxes in an economic environment that remains uncertain.
  - A majority of Americans (58%) rated the economy negatively in a recent Washington Post/ABC New poll. That view has not changed since late September.²
  - While the recent economic news is clearly positive (e.g., 6.4% growth in the 1st quarter), the Wall Street Journal notes that there remains substantial uncertainly about the outlook for the rest of the year: “In the past year, economists have alternated between excessive optimism and pessimism. Vaccine hesitancy, faster-spreading virus variants or the potential drag from a lagging overseas economy could yet undercut growth this year.”³


Problems with raising the corporate income tax rate during or emerging from recession (continued)

- Basic Keynesian economics counsels lowering taxes and raising spending during a recession. Raising revenue by raising the corporate tax rate runs directly counter to this standard prescription.
  - The Congressional Budget Office, Congressional Research Service, and the Tax Policy Center point to tax cuts, not tax increases, as the ways to stimulate the economy, as required in recession.¹
- Both Democrats and Republicans agree that taxes should not be raised in a downturn. For example, Mitt Romney counseled against doing this in his 2012 presidential campaign and President Obama famously rejected tax increases during the 2009 recession.² As did Senator Grassley recently. Even Treasury Secretary Yellen agrees that taxes should not be raised until the pandemic has been dealt with.³
- In the current environment, there is a widely held view that deficit finance is an appropriate way fund desirable government spending, in part because interest rates are so low.⁴ There is no need to raise taxes to fund that spending.

Problems with raising the corporate income tax rate during or emerging from recession (continued)

- Frequent changes in basic tax parameters, such as the corporate tax rate, make it difficult for business to plan for the future. Tax policy should be as stable as possible.¹ Raising the corporate tax rate now after lowering it three years ago may create needless uncertainty about tax policy. Raising the rate seems especially damaging now because deficit financing seems a feasible option.
- A temporary economic crisis should not be used as an excuse to pursue an economic policy that may have deleterious long-term effects on economic performance. From the perspective of economic performance and growth, increases in the corporate income tax is among the least attractive policies.²

Economic considerations for raising the top US corporate income tax rate

Problems with raising the corporate income tax rate during or emerging from recession (continued)

- Even though the economy is showing signs of recovering, that recovery is still in its nascent stages. For example, counting those who are unemployed and those who have abandoned the search for employment, about 8.5 million more Americans are out of work today than were before the pandemic. In addition, the Bureau of Labor Statistics’ employment report for April suggested an uncertain pace of economic recovery: economists expected about 1 million new jobs but only 266,000 were created.

- Increasing taxes could be especially harmful for industries, such as leisure and hospitality, including restaurants, that are struggling to recover.

- While retail as a whole has been recovering, some segments are struggling. Food services and drinking places have sales below those in February of 2020. Electronics and appliance stores, food and beverage stores, and health and personal care stores, are recovering at a below average rate for the sector. Furthermore, retail’s future performance may decline as the current round of stimulus induced spending wears off.

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The distribution of the burden of the corporate income tax
Who bears the burden of the corporate income tax, workers or capital owners?

- Nearly all economists and policy analysts agree that workers bear a substantial share of the burden of the corporation income tax.
- An increase in the corporate income tax rate reduces the incentive to save and invest. As investment falls, workers have less capital with which to work, which makes them less productive and so lowers labor earnings. In this way, part of the burden of the corporate income tax is shifted onto workers in the form of lower earnings.
  - Initially, an increase in the corporate tax is paid by corporate shareholders in the form of lower after-tax profits.
  - Lower after-tax corporate profits reduce the incentive to produce in corporate industries. Consequently, capital and other resources shift out of the corporate business sector into the rest of the economy. This shift depresses returns in the pass-through sector so that all owners of capital, not just corporate shareholders, bear part of the burden of the tax.
  - Lower investment returns throughout the economy discourage investment generally which shifts some of the burden of the tax onto workers.
  - It can take time for resources to shift across sectors and for the stock of capital to contract.
Who bears the burden of the corporate income tax, workers or capital owners? (continued)

- One thorough review of economic studies concluded that it is reasonable to assume that about 40% of the tax is shifted onto labor.\footnote{Jennifer Gravelle (2013), “Corporate Tax Incidence: Review of General Equilibrium Estimates and Analysis”, \textit{National Tax Journal}, Vol 66, No.1, pp. 185-214.}
- The Joint Committee on Taxation, the group that is responsible for doing the distributional tables used by Congress, assumes that about 25% of the tax is shifted onto labor.\footnote{Joint Committee on Taxation, \textit{Modeling the Distribution of Taxes on Business Income}, (JCX-14-13), October 16, 2013.}
Distribution of the corporate tax by income

• Conventional calculations suggest that the distribution of the burden of the corporate tax is progressive, i.e., is disproportionally borne by those at the top of the income distribution.
• This is because those at the top earn a disproportional share of both labor and capital income and hold a disproportional share of wealth.
• The US Treasury’s distributional analysis allocates 10% of the burden to families in the 80th-90th income decile and 72% to families in the top income decile. The top 0.1 percent of families bear nearly 30% of the burden.¹
• While the burden of the tax is progressive, nonetheless the tax is not borne only by millionaires.
  • The 80th percentile of the income distribution starts at a family income of $86,481 and the 90th percentile at $123,716.
  • This casts doubt on the claim that the Biden administration’s proposed tax increases -- which include an increase in the corporate tax rate from 21% to 28% -- will not impose a burden on families with incomes below $400,000."²

How does the US corporate tax rate and corporate tax revenue compare to those in the OECD and BRIC
The US tax rate is about average compared to OECD countries and BRIC.

Raising the US federal rate to 25% would push the US substantially above the OECD average rate.

A federal rate of 28% would give the US one of the highest corporate tax rates in the world and higher than any other OECD country.

Tax rates include both national and subnational statutory corporate income taxes.

OECD average excludes the US. The GDP weighted average is calculated as the sum of each country’s tax rate multiplied by the share of that country’s GDP in total OECD GDP. BRIC is Brazil, Russia, India, and China.

Countries chosen to be reflective of rates in the OECD with an emphasis on US trading partners.

Source: Organization for Co-operation and Development (OECD), EY analysis.
Statutory corporate tax rates¹ 1981 to 2020: US, OECD, and BRIC

- Following TRA86’s cut in the US corporate tax rate, rates in other OECD countries began to fall.
- Although the US rate remained essentially constant, while OECD rates fell, the US rate remained below the OECD average until 1999.
- Between 2000 and 2017, rates continued to fall in OECD countries while the US rate stayed constant and exceeded the OECD average. The relatively high US corporate income tax rate provided an incentive for inversions and profit shifting and discouraged investment in the US.³
- The TCJA lowered the US federal rate to 21% which gave the US a rate approximately equal to the OECD and BRIC averages.
- A 25% or 28% federal rate would push the US well above the OECD and BRIC averages.

¹ Tax rates include national and subnational statutory corporate income taxes. Averages are weighted by exchange rate adjusted nominal GDP. OCED average includes only countries that were OECD members from 1981 through 2020. BRIC is Brazil, Russia, India and China. Source: Organization for Co-operation and Development (OECD), EY analysis.

² Combined national and subnational rates with national rates of 28% and 25%, respectively.

Corporate Income Tax Relative to GDP: US Compared to OECD Countries in 2018

- As a share of GDP, the corporate income tax burden is much smaller in the US than in other developed countries
  - US: Corporate income taxes represent about 1% of GDP
  - OECD (excluding the US): Corporate income taxes represent about 3.2% of GDP
- The ratio of corporate tax to GDP has been lower in the US than in the OECD since 1990. This relationship is not new and is not due to the Tax Cut and Jobs Act.
- There are four traditional reasons for the low US corporate tax relative to GDP
  - The overall tax burden in the US is much lower than in other countries,
    - US: Total federal, state and local taxes are about 24% of GDP
    - OECD (excluding the US): Total taxes are about 34% of GDP
  - The pass-through business sector is larger in the US than in other developed countries. Taxes on pass through businesses are counted as individual income taxes in the US.
    - Pass through businesses account for about 50% of all business income in the US, but on average only about 25% for a sample of OECD and G20 countries.
  - Historically, the US has taken a smaller share of corporate profits as tax than have other OECD and developed countries. This reflects in part differing views on the desirability of different revenue sources.
- The ratio of tax to GDP in other developed countries does not define appropriate tax policy for the US. Appropriate US tax policy is designed according to the principles of efficiency, simplicity, equity, and growth not according to aggregate tax statistics from our major trading partners.

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1 Taxes on business income, including pass through income, represent a larger share of GDP as discussed below.
The Tax Cut and Jobs Act and Corporate Profits: 2018 and beyond

- The TCJA made a number of changes that affected corporate tax receipts, some of which were permanent and some represented timing changes. These includes a cut in the corporate income tax rate; 100% bonus depreciation, completely phased out by 2026; restrictions on NOLs; restrictions on interest deductions; a one time tax on previously untaxed foreign profits; amortization of R&E; switching to a modified territorial tax system.
- The Tax Policy Center estimated that the TCJA reduced federal corporate receipts by about 0.7 pp of GDP in 2018.¹
- Overtime, the TCJA has a complicated effect on federal corporate receipts because some provisions cut taxes, other raise them, and some phase in or out.

The largest of the timing effects is from 100% bonus depreciation. CBO initially estimated that the phaseout of bonus depreciation would raise federal corporate receipts by 0.2 percentage points of GDP between 2018 and 2028.\(^1\)

Overall, in its last pre-pandemic forecast, CBO expected federal corporate receipts to rise from 1.1% of GDP in 2020 to 1.4% by 2025 and then fall to 1.3% by 2030. The TCJA provisions are the main source of this year to year variation. The TCJA phase outs and phase ins account from about 1 pp of the 2 pp increase in federal corporate receipts relative to GDP between 2020 and 2030 and rising corporate profits for the other 1 pp.\(^2\)

While by 2030 the ratio of corporate tax to GDP does not rise to its average before the TCJA (1.7% for 2000 -2017)\(^3\), this is not a sign of a problem with the US tax system. Rather, it is a reflection of the intentional policy to lower corporate taxes in the US in order to promote investment, growth, and international competitiveness.

\(^3\) Office of Management and Budget (2020), Historical Table 2.3 – Receipts by Source as percentages of GDP – 1934-2025.
Taxes on business income vs taxes on corporate profits in the US

- Taxes on business income represent approximately twice taxes on corporate profits, or about 2% of GDP. Adding taxes on capital gains and dividends would raise the level to about 2.8% of GDP.
- According to an EY study, pass through businesses paid about $250 billion in taxes in 2018 while corporations paid about $205 billion.¹
- Much of pass-through income, however, is labor income.
- Roughly prorating for labor income, based on CBO’s approximate 50% share for sole proprietorships and partnerships², and assuming that S corp. income is all business income, gives taxes of about $190 billion paid on pass-through business income.
- Including capital gains and divided taxes (paid by business owners) in the analysis raises the total amount of tax paid by each type of business but does not change the conclusion that each type pays roughly the same amount of tax on its business income.³

¹ EY, “Large S Corporations and the Tax Cuts and Jobs Act: The economic footprint of the pass-through sector and the impact of the TCJA.” Report prepared on behalf of the S Corporation Association, October 2019. Includes federal taxes only. State and local taxes would raise this amount.
³ Ibid, note #1.
Comparing tax systems: Major revenue sources as shares of GDP in 2018 in the US and OECD

### Tax revenue by tax type as a percent of GDP: 2018

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>United States</th>
<th>OECD (ex US)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>24.4</td>
<td>34.1</td>
</tr>
<tr>
<td>Individual income tax</td>
<td>10.0</td>
<td>8.1</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>6.1</td>
<td>9.1</td>
</tr>
<tr>
<td>Social insurance(^1)</td>
<td>4.3</td>
<td>11.1</td>
</tr>
<tr>
<td>Consumption tax</td>
<td>3.0</td>
<td>2.7</td>
</tr>
<tr>
<td>Other</td>
<td>1.0</td>
<td></td>
</tr>
</tbody>
</table>

1. Social insurance includes other payroll taxes
2. Does not include taxes on pass-through businesses, which are counted in individual income taxes. For the US, pass-through businesses pay about the same amount of federal tax as do corporations, bringing overall business taxes to roughly 2% of GDP.

Note: The average for OECD (ex. US) is unweighted. Includes both national and sub-national revenues.

US federal income taxes paid by businesses: corporations and pass-through businesses

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>US Federal Income Taxes Paid By Businesses, Corporations and Pass-Throughs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pass-throughs</td>
<td>- Capital gains $75B</td>
</tr>
<tr>
<td>Corporate earnings</td>
<td>- Dividends $52B</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>$Billion</th>
<th>Pass-throughs</th>
<th>Corporate earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>$300</td>
<td>$326B</td>
</tr>
<tr>
<td>$50</td>
<td>$250</td>
<td>$316B</td>
</tr>
<tr>
<td>$100</td>
<td>$200</td>
<td>$316B</td>
</tr>
<tr>
<td>$150</td>
<td>$150</td>
<td>$316B</td>
</tr>
<tr>
<td>$200</td>
<td>$100</td>
<td>$316B</td>
</tr>
<tr>
<td>$250</td>
<td>$50</td>
<td>$316B</td>
</tr>
<tr>
<td>$300</td>
<td>$0</td>
<td>$316B</td>
</tr>
</tbody>
</table>

Economic considerations for raising the top US corporate income tax rate
Comparing tax systems: Corporate tax revenue as a share of GDP in the US and OECD: 1990 - 2018

- Corporate tax receipts as a share of GDP have generally been lower in the US than in the OECD.
- Corporate receipts dipped in the recessions of 2001-2002 and 2008-2009. The dips were larger in the US than in the other countries.
- The TCJA, passed in 2017, lowered corporate receipts in the US, relative to pre-TCJA US levels and to the OECD.
- As the economy recovers from the pandemic and the TCJA phase ins and outs occur, the CBO’s latest forecast estimates that US federal corporate taxes will rise from 1% of GDP in 2020 to 1.2% in 2031.¹

¹ Congressional Budget Office (2021), The Budget and Economic Outlook: 2021-2031, p.2.

Note: The average OECD (ex US) is unweighted. Includes both national and sub-national revenues.
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