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TAX WORKING PAPER SERIES:

Reforming the Corporate Tax Code

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About

The Committee for a Responsible Federal Budget

The Committee for a Responsible Federal Budget is a bipartisan, non-profit organization committed to educating the public about issues that have significant fiscal policy impact. The Committee is made up of some of the nation's leading budget experts including many of the past Chairmen and Directors of the Budget Committees, the Congressional Budget Office, the Office of Management and Budget, the Government Accountability Office, and the Federal Reserve Board.

The Committee for a Responsible Federal Budget (CRFB) seeks to raise awareness of issues that have significant fiscal policy impact, and its analysis reflects the views of CRFB alone and not those of its partners or sponsors of affiliated projects, including the Campaign to Fix the Debt.

Reforming the Corporate Tax Code

As talk of fundamental tax reform has increased over the last couple of years, members of both parties have singled out the corporate tax code as particularly ripe for reform. Both President Obama and House Ways and Means Chairman Dave Camp (R-MI) have put forward tax reform frameworks to reduce the top corporate rate from 35 percent today to between to 25 and 28 percent, while broadening the corporate tax base and changing the international tax system. Finance Chairman Max Baucus has also called for reforming business taxes to encourage growth and competitiveness and reduce distortions in the tax code. In addition, bipartisan proposals from the National Commission on Fiscal Responsibility and Reform ("Simpson-Bowles"), the Debt Reduction Task Force ("Domenici-Rivlin"), Senators Ron Wyden (D-OR) and Dan Coats (R-IN) ("Wyden-Coats"), and a proposal from Governor Mitt Romney recommend a similar approach for reforms, even though they differ on certain details.

Done right, corporate tax reform can help to accelerate economic growth, improve tax compliance, reduce unnecessary tax planning costs, and increase simplicity and fairness. Corporate tax reform can also serve as a complement to individual tax reform and an important part of a comprehensive fiscal plan to intelligently put the debt on a clear downward path as a share of the economy.

While corporate tax reforms that reduce tax rates and eliminate or reduce tax preferences would increase the effective tax rate for some companies and decrease the rate for others, the aggregate effect of a well-designed corporate tax reform would be to boost overall economic growth and international competitiveness. A more efficient allocation of resources with fewer distortions and a simpler tax code with lower rates could attract additional domestic and international investment. An online calculator that accompanies this report allows users to reform the corporate tax code themselves and can be found at *http://crfb.org/corporate/*.

There are many ways to reform the corporate tax code and business taxation more broadly. However, any reforms to the corporate tax code must be done in a fiscally responsible manner.

The Case for Corporate Tax Reform

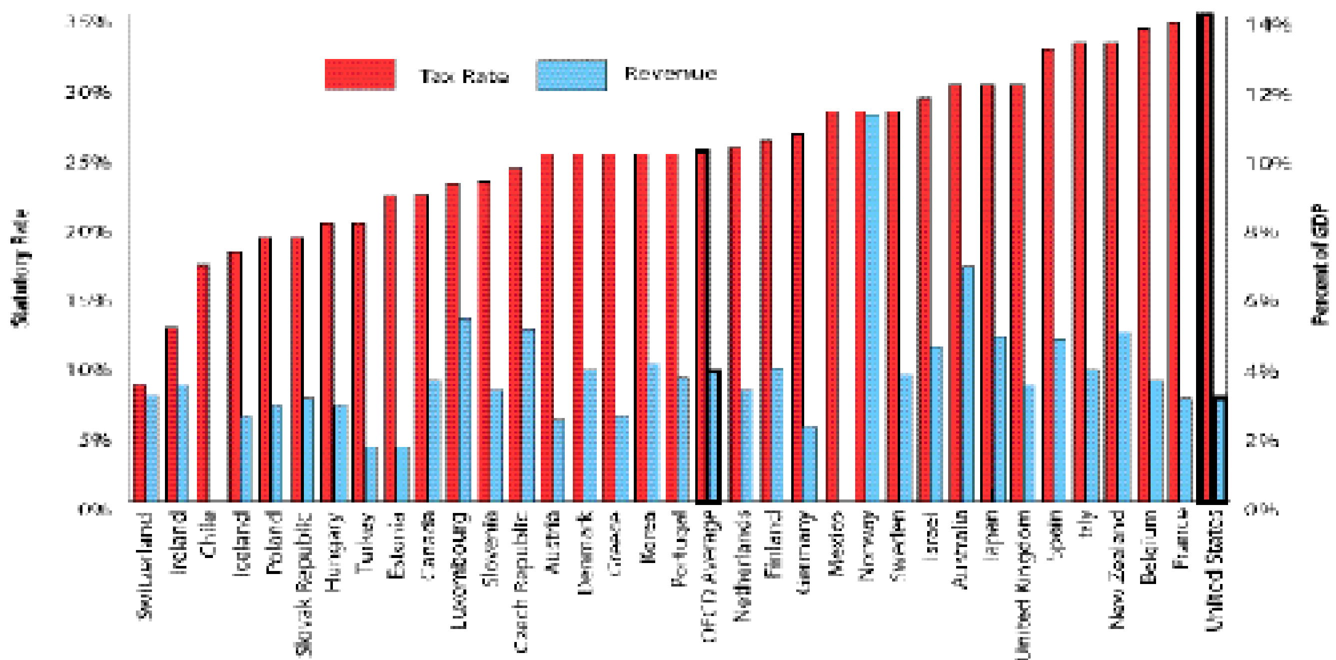
Executed properly, corporate tax reform has the potential to increase growth and investment, improve efficiency, increase fairness, reduce over-leveraging, improve the mobility of capital, make the U.S. more attractive to businesses relative to other countries, and cut compliance costs.

With a top federal statutory tax rate of 35 percent and average state taxes pushing the top rate above 39 percent, the U.S. imposes the highest tax rate of all 34 advanced economies in the OECD.[1] Yet despite these

high statutory tax rates, the average effective corporate tax rate in the U.S. is slightly below the OECD average. As a share of gross domestic product (GDP), the U.S. raises well below the OECD average, both because of its slightly below average effective rate and because most businesses in the U.S. organize as pass-through entities and aren't subject to the corporate income tax.[2] Before the financial crisis in 2007, for example, the OECD unweighted average for corporate revenue was 3.8 percent of GDP, yet the U.S. raised only 3 percent, tied for the 9th lowest among the 32 countries with available data.[3]

Most economists agree that – all else equal – high marginal rates tend to slow economic growth. High rates increase the marginal cost of capital, put the U.S. at a competitive disadvantage for corporate location relative to lower-tax countries, and enhance many of the distortions which exist in the corporate code by making deductions worth more.

FIG 1: Corporate Tax Revenue as a Percent of GDP and Statutory Tax Rate (2007)



Source: OECD.
Note: Revenue data not currently available for Chile and Mexico

Given these costs, reducing the corporate rate could lead to an improvement in economic growth. A Joint Committee on Taxation (JCT) report in 2005, for example, found that reducing the top corporate rate to 28 percent would increase medium-term GDP by 0.2 to 0.4 percent, even on a deficit-financed basis.[4] Under such an approach, however, gains would shrink over the long-run as higher deficits crowd out economic investments. This could be particularly true given the nation's current fiscal conditions.

Indeed, it would be unacceptable to further widen the deficit at a time of unsustainable deficits and debt. The potential economic dangers of not dealing with the nation's debt are quite large and far exceed potential benefits of a corporate rate cut. If debt is allowed to continue growing as a share of the economy, it would crowd out productive investments and could eventually lead to a fiscal crisis.[5]

However, corporate rate cuts can be enacted in a fiscally responsible manner by combining them with reductions or eliminations of many of the corporate tax expenditures in the tax code. Such base broadening has the potential to not only help finance a lower corporate rate, but also reduce many distortions in the tax

code. Currently, resources are allocated inefficiently as businesses make decisions based on what spending has the highest tax benefit rather than the highest economic return. By no longer "picking winners and losers," corporate tax reform can have a second benefit of improving overall efficiency.

In addition to causing allocative distortions, many tax expenditures have the effect of creating complexity in the tax code and, as a result, increasing compliance costs. Tax preferences may have complex rules, complicated formulas, or extensive recordkeeping requirements.

FIG 2: How the Current Corporate Tax Code Works

Under the corporate income tax, businesses are taxed based on their gross receipts minus their expenses. Many expenses, such as employee wages and benefits, are allowed to be deducted immediately. However, one-time costs that are used to produce income (such as machinery purchases) are deducted over a number of years based on the useful life of the asset. These calculations produce net income, which is reduced by tax preferences to get taxable income.

Taxable income for corporations is taxed at four rates: 15, 25, 34, and 35 percent. The first two rates apply to income below $75,000. The 34 percent bracket applies to income below $10,000,000 and the 35 percent bracket applies to income above that. In addition, there are bubble rates of 39 and 38 percent in the 34 and 35 percent brackets, respectively, to create an effective flat tax of 35 percent for corporations with income above $18,333,333. A corporation's effective tax rate can be, and often is, lower than 35 percent due to various tax preferences.

Foreign income earned by U.S. multinationals is not taxed in the current year unless it is repatriated to the U.S. or if it is "passive income"— financial income that can be easily manipulated into different countries (although "check-the-box" rules and other exceptions have weakened this backstop in recent years). Foreign taxes paid by multinationals are able to be credited against U.S. taxes on that foreign income (the "foreign tax credit"), up to the amount of the U.S. taxes.

However, the vast majority of businesses – 94 percent comprising 37 percent of total receipts in 2008 – are organized as pass-through entities. These pass-through entities calculate their income in the same manner as corporations but "pass-through" their taxable income to the owners or partners. Thus, pass-through income is not taxed at the business level like corporations, but through the individual income tax.

Partially outside of the tax expenditure discussion is a question of the relative taxation of debt versus equity financing in the corporate code. A 2007 Treasury Department study concluded that the U.S. had the highest disparity between tax rates on debt and equity in the OECD, and as a result corporations have an incentive to over-borrow and under-save.[6] That same report argued that "excessive reliance on debt financing increases the rigidity of the corporate capital structure and subjects investors to larger costs associated with bankruptcy and financial distress."

Finally, the U.S. system of taxing foreign income is badly in need of reform. For American-owned companies and their subsidiaries, income earned abroad is currently taxed at the U.S. rate (after subtracting international taxes through a "foreign tax credit" system) – but not until it is repatriated to the U.S. This structure – a worldwide tax system with "deferral" – creates an unfortunate incentive where companies are discouraged from bringing money back to the U.S. This issue could be addressed a number ways, described later in this paper.

Of course, there are limits and risks to corporate tax reform. Because many corporate tax expenditures reduce the effective marginal tax rate on capital, much of the base broadening used to pay for lower rates could have offsetting economic effects. At the same time, certain changes to the tax code meant to improve fairness or encourage certain activities could have the unintended consequence of creating new distortions in the tax code. And finally, corporate tax reform will almost certainly create winners and losers, which could lead to short-term disruptions in some industries. Still, given the potential benefits, properly designed and fiscally responsible corporate tax reform is an undertaking worth pursuing.

Paying for Corporate Tax Reform

Reducing the corporate tax rate to 28 percent would cost about $750 billion through 2022, according to the Committee for a Responsible Federal Budget's extrapolation of a JCT score from last year.[7] Reducing the top tax rate to 25 percent could likely cost close to $1.1 trillion. Offsetting these costs is absolutely necessary, but not easy. Eliminating virtually all non-international tax expenditures collected by C-corps, for example, would not quite generate enough revenue to reduce the corporate tax rate to 27 percent. However, it is absolutely possible to achieve substantial rate reductions if policymakers choose to make the necessary changes. Within the tax code, there are a number of approaches to offset the costs of tax rate reductions that can and should be considered. These include:

"Rifle-Shot" Tax Preferences

Within the corporate tax code, there are a number of narrowly-focused provisions which benefit only one or a few industries. Though some of these tax expenditures may have important justifications, they can also lead to an unequal playing field where the government is picking winners and losers. Examples include various tax preferences for extractive industries like oil and gas, the exemption of credit union income, the low-income housing credit which subsidizes housing construction, and the Blue Cross/Blue Shield deduction.

Broad Deductions and Credits

Another category of tax provisions offers preferential treatment for certain activities, but tends to benefit a wide range of industries. Despite their broad use, these provisions do tend to favor some industries and activities more than others. The largest of these is the domestic production activities deduction, created in 2004. It is intended to subsidize domestic manufacturing, although many other types of businesses can benefit. Another broad tax preference is the R&E tax credit, which has been in existence since 1981 but is currently expired and has generally been extended one year at a time.

Expensing and Accelerated Depreciation

Normally, the cost of an asset that is used to produce income for years into the future is depreciated over a certain time period based on the useful life of the asset. However, many provisions in the tax code allow for accelerated depreciation, where costs are written off faster than the useful life. In addition, certain costs are allowed to be expensed or written off immediately. Many economists believe these faster depreciation schedules encourage investment by reducing the marginal cost of capital. At the same time, they can be quite costly (particularly over the short and medium-term) and lead to an uneven playing field where certain industries and activities that have these costs are favored over others.

FIG 3: Corporate Tax Rate Reductions Financed from Base Broadening

Provision	Total Rate Reduction*	Rate Reduction from C-Corps
Repeal Corporate Tax Expenditures:		
1. Accelerated Depreciation+	5.28%	3.69%
2. Domestic Production Activities Deduction	1.19%	0.93%
3. Expensing of R & E Expenditures+	1.17%	1.11%
4. Last in First Out Accounting Rules (LIFO)	0.51%	0.51%
5. Low-Income Housing Credit	0.25%	0.24%
6. Charitable Deduction for Corporations	0.21%	0.21%
7. Progressive Corporate Tax Rates	0.18%	0.18%
8. Exemption of Credit Union Income	0.14%	0.14%
9. Deferral of Gain on Like-Kind Exchanges	0.13%	0.12%
10. Completed Contract Rules Method+	0.10%	0.10%
11. Special Treatment of Life Insurance Co. Reserves	0.09%	0.09%
12. Deduction for Non-Taxed Reinsurance Premiums Paid to Affiliates	0.09%	^
13. Percentage Depletion for Oil and Natural Gas Wells	0.09%	0.05%
14. Exclusion of Interest on Private Activity Bonds	0.07%	0.07%
15. Expensing of Oil & Gas Exploration and Development Costs+	0.06%	0.03%
16. Credit for Employer-Paid FICA Taxes on Tips	0.06%	0.03%
17. Deduction for ESOP Dividends	0.05%	0.05%
18. Preferential Assumptions for Property and Casualty Insurance Company Reserves	0.05%	0.05%
19. Rehabilitation Tax Credit	0.04%	0.03%
20. Deferral of Gain on Non-Dealer Installment Sales	0.04%	^
21. Energy Credits	0.04%	^
22. Blue Cross/Blue Shield Deduction	0.03%	0.03%
23. Special Rules for Corporate Jets	0.02%	^
24. Credits Renewable Electricity Production	0.02%	^
25. Lower of Cost or Market Accounting Rule+	0.02%	0.02%
TOTAL	~ 9.9%	~ 7.7% - 7.9%

Note: All numbers are estimated roughly by the Committee for a Responsible Federal Budget assuming an ultimate 28 rate, with reductions financed over a ten-year period. Estimates do not include a number of important interactions, but visit the online calculator at http://crfb.org/corporate, which incorporates these interactions. Positive numbers reflect reductions in corporate tax rate.

*Estimates assume all savings from small businesses and other pass through entities are used to lower the corporate tax rate only, effectively resulting in a net tax increase on small businesses and cut for C-Corporations.

^Estimates for C-Corp revenue alone are unavailable, but should be less than or equal to total revenue gains.

+These provisions raise a substantial portion of their revenue through shifts in timing and would therefore raise significantly less over the long-run than in the first decade. Eliminating accelerated depreciation, for example, would allow only a 4.29 percent reduction in rates in 2021, compared to 5.28 over the decade.

One consideration for reducing or eliminating accelerated depreciation or expensing is that the savings in the near term are much greater than they are in the long-term. Since companies are able to write off the cost of assets over time, shortening depreciation schedules will result in some revenue simply due to timing shifts. Thus, a revenue-neutral corporate tax reform that relies on this category for savings could be revenue-negative over the long-term.

Inventory and Accounting Rules

In order to account for inventory in taxable income, businesses must take the income from a good sold and subtract the cost of purchasing or producing that good. However, inventories are accounted in the aggregate, not individually, thus accounting methods must make different assumptions about the good sold, which affects a company's taxable income. The "last-in, first-out" (LIFO) method is one example that assumes goods that were sold came from the most recent goods put into inventory. This can lower a business's taxable income and tax liability below what its actual profit may be. Another popular accounting method is the lower-of-cost-or-market (LCM) method, which allows companies to reduce their taxable income by writing down the value of inventories if the market value of goods falls below their cost. Both of these examples are considered favorable compared to the "first-in, first-out" (FIFO) method, which assumes that the goods sold are the oldest goods acquired. Several other methods exist, such as average cost method which falls between LIFO and FIFO.

International Taxation

Another potential source of revenue can be found by reforming the international tax system. As mentioned before, the current "deferral" system both discourages multinational companies from repatriating income to the U.S. and encourages them to shift income out of the U.S.

Most of our trading partners have solved this problem by moving to a so-called "territorial system," where income is generally taxed only by the country in which it is earned, sometimes with nominal taxes (designed in part to prevent arbitrage) for repatriated income. An alternative approach would be to move further toward a "worldwide system" by repealing deferral of taxation and thus taxing worldwide income when it is earned rather than after it is repatriated. This approach would have the added potential of generating substantial revenue for tax rate or deficit reduction, although a territorial system could also raise revenue depending on how it was designed. There are potential drawbacks to either approach. A territorial system would remove the "lock out" effects of taxation upon repatriation, but by itself, it would not remove the incentive to shift income to low tax countries. On the other hand, a worldwide system would be incongruous with how other major countries treat foreign-source income and could potentially affect U.S. multinational competitiveness abroad. In either case, a number of specific and important design features must be decided upon that could significantly change the revenue and economic effects of each system.

Non-Tax Expenditure Base Broadeners

In thinking about "base broadening," analysts tend to focus on tax expenditures – those provisions which are a divergence from a "clean tax code." However, tax reform could go beyond just tax expenditures to modify certain deductions which would be considered part of an ordinary tax code.

Policymakers could decide to reduce the deductibility of some costs considered to be ordinary business expenses – such as interest costs, advertising costs, or the costs of meals and entertainment. Restricting the deduction of interest costs in particular would have the added benefit of reducing the current bias towards debt financing in the tax code and would discourage over-leveraging.

FIG 4: Corporate Tax Rate Reductions Financed from Other Options

Provision	Total Rate Reduction *	Rate Reduction from C-Corps
1. Make Permanent R&E Tax Credit	-0.42%	-0.41%
2. Index Corporate Interest Deduction for Inflation	1.10%	1.10%
3. Capitalize 15 Percent of Advertising Costs	1.46%	^
4. Disallow Deductibility of Meals and Entertainment Expenses	1.02%	^
5. Legalize Internet Gambling	0.08%	^
6. Prohibit Advanced Refunding of Bonds	0.08%	^
7. Expand Pro Rata Interest Disallowance for Company-Owned Life Insurance	0.05%	0.05%
8. Modify Proration Rules for Life Insurance Company General and Separate Accounts	0.05%	^
9. Require Ordinary Treatment of Income from Day-to-Day Dealer Activity for Certain Dealers of Equity Options and Commodities	0.02%	^
Reform International Tax System (many of these options cannot be combined):		
1. Move to a Territorial Tax System	-2.0% to 0.5%	^
2. Tax the Worldwide Income of U.S. Corporations As It Is Earned	0.83%	^
3. Apply Per-Country Foreign Tax credit Rules and Tax the Worldwide Income of U.S. Corporations As It Is Earned	4.25%	^
4. Disallow Interest Expense for Unrepatriated Income	1.02%	^
5. Eliminate Inventory Property Sales Source Rule Exception	0.56%	^
6. Defer Deduction of Interest Expense Related to deferred income on foreign subsidiaries	0.39%	^
7. Determine the Foreign Tax Credit on a Pooling Basis	0.37%	^
8. Tax Currently Excess Returns Associated with Transfers of Intangibles Offshore	0.13%	^
9. Modify Tax Rules for Dual Capacity Taxpayers	0.13%	^

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^Estimates for C-Corp revenue alone are unavailable, but should be less than or equal to total revenue gains.

Revenue Outside the Corporate Tax Code

Paying for a corporate rate cut need not be done entirely through the corporate tax code. For example, some of the revenue raised from pass-through entities from corporate base broadening could be used to reduce the corporate tax rate. A more ambitious effort to treat corporate and non-corporate businesses more equally could also generate more revenue. Either of these approaches, importantly, would likely lead to a net tax increase on smaller businesses and net cut on larger corporations.

Policymakers could also look to other revenue sources to help finance a corporate rate cut. This could include increasing rates or cutting tax expenditure within the individual income tax code, raising taxes on capital gains and dividends (perhaps only on "carried interest"), legalizing and taxing internet gambling, or finding new revenue sources like a carbon tax or a value-added tax.[8]

Prominent Tax Reform Proposals

Many prominent tax reform proposals have followed a rate-lowering, base-broadening model for tax reform. Often, these proposals have been paired with similar reforms on the individual side. Among the major proposals include:

The Fiscal Commission Illustrative Plan (Simpson-Bowles)

The Simpson-Bowles report offers a relatively simple model for revenue-neutral corporate tax reform. Their illustrative tax plan would eliminate nearly all corporate tax expenditures – including depreciation schedules, narrow and broad tax credits and deductions, as well as special accounting rules. The revenue from these changes is used to establish a flat corporate tax rate of 28 percent and to move to a competitive territorial system on the international side. The report also allows the committees of jurisdiction to make adjustments to this framework so long as the rate remains between 23 and 29 percent.

The Bipartisan Tax Simplification and Fairness Act (Wyden-Coats)

The Wyden-Coats proposal, which evolved from an earlier 2010 proposal from Senators Ron Wyden (D-OR) and Judd Gregg (R-NH), reformed the corporate tax code alongside a number of reforms to the individual tax code. It would reduce the corporate tax rate to a flat 24 percent, repeal the corporate Alternative Minimum Tax, and extend full expensing of certain investments for small businesses.

To finance these costs, it eliminates many tax expenditures, including the domestic production deduction, oil and gas tax preferences, and accelerated depreciation for larger businesses. It also limits the interest expense deduction by disallowing the portion that is attributable to inflation.

On the international side, Wyden-Coats moves to a pure worldwide system by repealing deferral and calculating tax credits for foreign taxes paid on a country-by-country basis, rather than the aggregated manner of the current system. The combination of these two changes raises a significant amount of revenue. In addition, the proposal allows a one-time repatriation holiday for businesses to bring income back to the U.S. with minimal taxes applied.

Overall, the Wyden-Coats corporate tax proposal likely results in a revenue loss (made up for on the individual side) – though by our estimates it could be made neutral by increasing the rate from 24 percent to 25 percent.[9]

FIG 5: Comparison of Corporate Tax Proposals

	Simpson-Bowles	Wyden-Coats	Ways & Means	Obama
Corporate Tax Rate	28%	24%	25%	28%
Research & Experimentation Tax Credit	Allowed to Expire	Unspecified	Unknown	Extended, Expanded, and Simplified
Accelerated Depreciation	Eliminated	Eliminated	Unknown	Changes Discussed
Domestic Production Activities Deduction	Eliminated	Eliminated	Unknown	Modified and Retargeted
Oil and Gas Preferences	Eliminated	Eliminated	Unknown	Eliminated
Inventory Accounting	LIFO and LCM Eliminated	LCM Eliminated	Unknown	LIFO and LCM Eliminated
Other Tax Expenditures	Eliminated	Largely Eliminated	Unknown	Some Reductions
Interest Deduction	No Change	Limited to Interest in Excess of Inflation	Unknown	Changes Discussed
Active Foreign-Source Income	Mostly Untaxed (Territorial System)	Taxed as earned (Worldwide System)	Mostly Untaxed (Territorial System w/ 95% Exclusion)	Defer Interest Deduction on Deferred Foreign Income
Other International	Unspecified	Foreign Tax Credit Calculated on Per-Country Basis; Repatriation Holiday	Foreign Tax Credit & Subpart F Reforms; One-Time 5.25 Tax on Foreign Earnings; Base Erosion Protections	Pooled Foreign Tax Credit; Minimum Tax on Foreign Income; Base Erosion Protections
Revenue Target	Revenue-Neutral	Revenue-Negative	Revenue-Neutral	Revenue-Neutral

House Ways & Means Discussion Draft

In October 2011, House Ways and Means Chairman Dave Camp (R-MI) put forth a tax reform discussion draft. The plan calls for reducing the top corporate tax rate to 25 percent, and fully financing this reduction through not yet specified base broadening.

On the international side, the draft lays out a number of details and decision points to move toward a territorial system with a 95 percent dividends exemption. In order to accommodate the territorial system and minimize revenue loss, the proposal would also reform foreign tax credits, Subpart F (a regime that taxes certain foreign income immediately), and other tax rules. It also offers several options to minimize "base erosion" by discouraging companies from shifting income to low tax countries. Finally, to ensure deficit neutrality, the draft calls for a one-time 5.25% tax on foreign earnings held abroad, regardless of whether they are repatriated.

President Obama's Framework for Business Tax Reform

In February 2012, President Obama put forward a framework for reforming corporate and business taxes on a revenue-neutral basis. The plan calls for reducing the corporate tax rate to 28 percent, extending and reforming the R&E credit, and modifying the domestic production activities deduction to better target manufacturing activity. To pay for these and select other changes, the plan proposes a number of specific changes, including the repeal of many tax preferences for fossil fuels, the elimination of "last in first out" (LIFO) accounting, reforms to the treatment of the insurance industry and products, the elimination of special depreciation schedules for corporate jets, and the taxation of carried interest as ordinary income as opposed to capital gains income.

The proposal also calls for additional offsets through some combination of changes to general depreciation schedules, reductions in the interest expense deduction, and improved parity between corporations and non-corporate businesses.

On the international side, the President proposes imposing a minimum tax on overseas profits, repealing deductions for moving production overseas, and enacting a number of measures designed to reduce base erosion and discourage businesses from moving activities to low-tax jurisdictions.

Conclusion

Corporate tax reform is an opportunity to reinvigorate U.S. global competitiveness, create a simpler and fairer tax code that treats various industries more equally, reduce the costs associated with complying with the corporate code, and improve the way the country taxes income earned abroad. There are many ways to go about this – as evidenced by several prominent proposals from lawmakers and experts.

By combining all the potential benefits of corporate tax reform done right, a fiscally responsible remake of the tax code can improve the strength of the economy, fueling job creation and wage growth into the future. However, corporate tax reform would be most successful if enacted as part of a broader effort to reform the entire tax code and put the national debt on a sustainable, downward path over the medium and long-term.

See how the various reforms discussed in this analysis could affect the corporate tax rate with an interactive calculator at *http://crfb.org/corporate/*.

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Endnotes

[1] Organisation for Economic Co-operation and Development. "OECD Tax Database." http://www.oecd.org/ctp/taxpolicyanalysis/oecdtaxdatabase.htm#C_CorporateCaptial:Most corporations pay the 35 percent rate, though there are marginal rates of 15, 25, and 34 which apply to corporate income below $10 million and is phased out when income reaches $18,333,333.

[2] Jane G. Gravelle. "International Corporate Tax Rate Comparisons and Policy Implications," March 31, 2011. http://assets.opencrs.com/rpts/R41743_20110331.pdf. Also see Treasury Department. "Treasury Conference on Business Taxation and Global Competitiveness," July 23, 2007. http://www.treasury.gov/press-center/press-releases/Documents/07230%20r.pdf. Gravelle calculates that the US effective corporate tax rate was below the OECD GDP-weighted average for 2008, although it was above the unweighted average. The Treasury report states that the corporate tax to corporate surplus ratio was below the OECD unweighted average for 2000-2005.

[3] Organisation for Economic Co-operation and Development. "Taxation: Key Tables from OECD." http://www.oecd-ilibrary.org/taxation/taxes-on-corporate-income_20758510-table5

[4] Joint Committee on Taxation. "Macroeconomic Analysis of Various Proposals to Provide $500 Billion in Tax Relief," March 1, 2005. http://www.jct.gov/x-4-05.pdf

[5] Congressional Budget Office. "Federal Debt and the Risk of a Fiscal Crisis," July 27, 2010. http://cbo.gov/sites/default/files/cbofiles/ftpdocs/116xx/doc11659/07-27_debt_fiscalcrisis_brief.pdf

[6] Treasury Department. "Treasury Conference on Business Taxation and Global Competitiveness Background Paper," July 23, 2007. http://www.treasury.gov/press-center/press-releases/Documents/07230%20r.pdf

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