June 13, 2017

Open Letter to Congress: Include Three Critical Pro-Growth Provisions in Comprehensive Tax Reform

On behalf of the undersigned organizations and our millions of supporters, we urge you to swiftly pass comprehensive tax reform that overhauls the tax code for individuals, families, and businesses of all sizes. While advocates of reform may disagree on certain provisions, there is broad consensus that any reform of the corporate code should include three bedrock, free market principles. These are:

Cut the Corporate Tax Rate: The United States has the highest corporate tax rate in the industrialized world. The combined federal, state, and local rate of approximately 39 percent is more than triple that of Ireland and nearly double the rates of the United Kingdom, Switzerland, Poland and Finland. Economic models estimate that if the United States adopted a rate of 25 percent, the GDP would increase by 2.3 percent and create 425,000 new jobs. Should the Congress adopt President Trump's proposed tax rate of 15 percent, which would match Canada's federal rate, the GDP would increase by 4.3 percent and add 786,000 new jobs.

Move to a Territorial System: The U.S. current corporate tax system harms domestic businesses that provide services overseas. Our worldwide tax policy has paralyzed multinational corporations into holding an estimated $2.4 trillion in offshore accounts to avoid paying additional taxes. In the past 15 years, 13 OECD nations have moved from a worldwide tax system to a territorial tax system that exempts all, or most of active foreign earned income from domestic taxation. The U.S. must follow the global trend to remain competitive internationally.

Allow for Full Expensing: It is crucial that any tax reform plan allows full expensing for businesses. The current depreciation system is outdated, and must be modernized to allow businesses to fully and fairly deduct investment materials within the purchasing year. Since different purchases hold different depreciation time periods determined by the IRS, purchase deductions distort business decisions and can delay future investment or consumption by businesses. According to research by the Tax Foundation, implementing full expensing would lead to 5.4 percent higher long-term GDP, create more than 1 million full time jobs, and increase after-tax income by 5.3 percent. Tax reform can be the catalyst that gets the American economy growing again, but only if it makes capital investments at home the easiest, best option for business.

As we work toward a historic overhaul of the tax code, it is essential that this plan is built upon a foundation for corporate reform that includes a significantly lower rate, full expensing, and a territorial system. Omitting any of these three pillars would constitute a missed opportunity to implement true, pro-growth tax reform. Our organizations look forward to working with you to accomplish our shared goal of greater prosperity via fundamental reform.

Sincerely,

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