

The Brady-Ryan Corporate Tax Plan

Massive Tax Cuts for Billionaires on the Backs of Working Americans, Based on Bad Economics

SUMMARY: The Trump Administration and House Republicans are proposing a massive tax cut for corporations and the one percent. While the plan will make Trump's cabinet of billionaires even richer, it won't boost growth or create jobs for other Americans. In fact, the GOP tax plan could dramatically increase prices for many Americans, cutting into family incomes and leaving the vast majority of households worse off. By cutting taxes for the owners of big corporations and asking middle-class Americans to foot the bill, the Brady-Ryan tax plan will only increase the power and privilege of the richest Americans at the expense of everyone else.

REPUBLICAN TAX CLAIMS ARE WRONG: Republicans claim that, by lifting the tax burden on corporations and further enriching those at the very top, their tax cuts will allow wealth to "trickle down" to the rest of us as corporations invest more. But the evidence is in: 30 years of corporate tax cuts have only increased inequality and limited social mobility, doing nothing for corporate investment. The new middle-class jobs Republicans promise from corporate tax breaks never materialize. And the very wealthy people who own corporations become even richer and more powerful while other Americans fall behind.

In fact, the Republican argument that corporations will create jobs when they face lower tax rates is simply false. American companies already enjoy a historically low cost of capital, and they have more than enough cash on hand to increase investment, raise wages, and create jobs. But instead of investing in job creation, the owners of big corporations use tax cuts to enrich themselves – paying out dividends to their shareholders, and consolidating their businesses to reduce competition and wages even further.

THE GOP PLAN SHIFTS THE TAX BURDEN ONTO AMERICAN CONSUMERS: The Republican plan would reduce the corporate tax rate from 35% to 20%, and add a tax on imports – effectively shifting the tax burden away from wealthy corporation owners and onto average consumers. The immediate effect of the imports tax will be to raise prices of imported goods, which will hurt lower-income Americans the most.

Estimates suggest that a 10 percent tariff on imported goods will cost the bottom fifth of households \$300 per year – twice the burden the top 10 percent of households would face. Many businesses will also face a significant increase in their operating costs.

FOUR FLAWS OF BRADY-RYAN: The Republican corporate tax plan has four key flaws:

1. Corporate taxes are already low. The GOP plan to reduce taxes on corporations is solving a non-existent problem: U.S. firms already enjoy a low effective tax rate by both international and historical standards, and they are still investing too little.
2. Everyday costs will rise for middle- and lower-income Americans. The GOP plan to tax imports with a tariff or "border-tax adjustment" will increase the cost of imported goods – shifting the tax burden away from corporate executives to low-income consumers.
3. The plan won't keep jobs in the U.S. Supporters of the Brady-Ryan plan argue that it will curb corporate tax avoidance. But the plan only addresses the problem of offshored profits by eliminating the tax on foreign profits entirely. That's akin to solving a debt collection problem by forgiving the debt.
4. The plan fails to create jobs. An effective job creation strategy would do the opposite of what Brady-Ryan proposes: strengthen the bargaining power of workers and consumers to encourage long-term investment, increase competition, and create jobs. If Congress wants to encourage investment, they should increase – not decrease – marginal tax rates and close loopholes that CEOs exploit to move profits offshore.