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On Incentivizing Economic Excellence Through Tax Policy

The Tax Cuts and Jobs Act and Recent Corporate Tax Reform Proposals

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Chairman Arrington and Ranking Member Boyle, thank you for the opportunity to speak today about corporate tax policy. I am Kyle Pomerleau, a senior fellow at the American Enterprise Institute, where I research federal tax policy and tax reform.

In this testimony, I will provide an international context for the Tax Cuts and Jobs Act (TCJA) and recent proposals to reform corporate taxes. I will make three main points:

1. Before the TCJA, the US corporate tax code was an outlier among the 38 countries in the Organisation for Economic Cooperation and Development (OECD).
2. The TCJA brought the US corporate tax code more in line with those of America's major trading partners.
3. Lawmakers should build on the TCJA's corporate tax reforms and avoid policies that increase economic distortions and risk making the US a global outlier again.

The Pre-TCJA Corporate Tax Code

Before the TCJA, the United States had a corporate tax code that differed from the rest of the developed world's tax codes in a few important ways.

The top statutory corporate income tax rate was 38.9 percent, which was the sum of the federal corporate income tax rate of 35 percent and the weighted average of state and local corporate income tax rates. If the US had maintained this rate, its statutory corporate income tax rate would be the highest among the 38 member nations of the OECD and 12.7 percentage points above average.[1]

Effective tax rates would have been the highest in the OECD as well. Under previous law, the average marginal effective tax rate (METR),[2,3] or the typical tax burden on new investment, was 24.6 percent. If this rate were still in place today, it would be the highest among the OECD nations and 13.6 percentage points above the average. Likewise, the average effective tax rate (AETR)[4] would also have been the highest in the OECD, at 34.1 percent and 11.9 percentage points above the OECD average. See Table 1 for a summary of these results.

Table 1. US Pre-TCJA Tax Code Compared to 38 OECD Nations

	US	Rank	OECD Average
Statutory Tax Rate	38.9%	1st	26.2%
Marginal Effective Tax Rate	24.6%	1st	11.6%
Average Effective Tax Rate	34.1%	1st	22.2%

Source: Author's calculations based on a methodology described in Pomerleau, "The Tax Burden on Corporations: A Comparison of Organisation for Economic Co-operation and Development Countries and Proposals to Reform the US Tax System."

The US was also out of step with most OECD nations in how it taxed multinational corporations. Previously, the US corporate tax was a worldwide or residence-based system with deferral. This meant that US-based multinational corporations paid US tax on both their US and foreign profits,

though these corporations could defer any US tax on foreign profits until those profits were repatriated to the US and received a US tax credit for foreign taxes paid.[5]

For example, a US corporation operating in Poland would first face the Polish corporate income tax rate of 19 percent on the returns on investment in that jurisdiction. Once those profits were repatriated into the United States, they would face the full 35 percent statutory federal corporate tax rate. However, the additional US tax would be reduced by a credit for the 19 percent paid to the Polish tax authorities. As a result, the additional tax paid to the United States would be 16 percent, for a total effective tax rate of 35 percent. A British multinational corporation operating in Poland would only face the Polish corporate tax of 19 percent.

Meanwhile, most OECD nations had moved towards source-based or “territorial” corporate income taxes. These systems only tax corporations on profits earned in that jurisdiction, regardless of where they are headquartered. These systems also typically have anti-avoidance provisions to prevent significant base erosion.[6]

The tax treatment of corporations in the United States under pre-TCJA law created several issues.

First, the high statutory corporate income tax rate and the ability to defer additional US tax on foreign profits, encouraged corporations to shift profits into low-tax jurisdictions. This is because corporations have the incentive to locate revenues in low-tax countries and expenses in high-tax countries to reduce their worldwide tax burden.

Second, high METRs discouraged investment in the United States. Corporations make investment decisions based on the return they must earn to cover their replacement, the minimum return required by shareholders, and taxes. Pre-TCJA law raised the required return and reduced the number of viable investment projects throughout the economy.[7]

Relatedly, a relatively high AETR can discourage corporations from locating high-return investments in the United States. If a corporation expects to earn a profit on a new project and can choose where to locate it, it will place that project where the total after-tax returns is highest. Therefore, if the AETR in the US is higher than in other countries, as it was under pre-TCJA law, corporations may choose to locate their projects elsewhere. This is especially true of intellectual property products, which are highly mobile.[8]

Third, the high statutory corporate income tax rate and the ability to deduct interest expense under pre-TCJA law increased the tax bias in favor of debt financing. Corporations that finance new investments with borrowed funds can deduct the costs of financing (interest), whereas equity-financed investment does not receive the same benefit. As a result, returns to debt financing are not taxed at the entity level, while equity faces a positive tax burden.[9] Under previous law, debt-financed corporate investment faced an effective tax rate 72 percentage points lower than the tax burden on equity-financed investment.

Finally, the residence-based tax system encouraged corporations to expatriate or invert to jurisdictions with “territorial” tax systems. Before the TCJA, there were several prominent

inversions in which US-based corporations were purchased by foreign competitors and relocated to foreign jurisdictions such as Canada, Ireland, and the United Kingdom.

The TCJA

The TCJA addressed many of these issues and made important improvements to the corporate tax system.

It reduced the statutory corporate income tax rate from 35 percent to 21 percent. As a result, the combined federal, state, and local statutory corporate income tax rate fell from 38.9 percent to 25.8 percent.[10]

The law temporarily improved the tax treatment of some investments by enacting 100 percent bonus depreciation. This provision allows corporations to fully deduct the cost of new short-lived assets against taxable income. Short-lived assets have modified accelerated cost recovery system (MACRS) assets lives of 20 years or less. However, 100 percent bonus depreciation began phasing out this year. Currently, bonus depreciation is 80 percent. Next year it will fall to 60 percent and then decrease by 20 percentage points each subsequent year until it is fully phased out by 2027.

The TCJA also enacted a limitation on interest expense deductions. Businesses (both C corporations and pass-throughs) can only deduct interest (net of interest income) up to 30 percent of adjusted taxable income. From 2018 and 2021, adjusted taxable income was equal to earnings before interest, taxes, depreciation, and amortization (EBITDA). From 2022 onward, adjusted taxable income is equal to earnings before interest and taxes (EBIT).[11]

The TCJA moved away from the worldwide tax system with deferral to a hybrid international tax system. Current law provides US-headquartered multinational corporations with source-based or "territorial" taxation for a deemed return on tangible assets (such as machines and factories). US corporations that earn foreign profits from tangible assets will face foreign income tax liability but no additional US liability. This was accomplished by enacting what is called a participation exemption.

At the same time, intangible assets that serve foreign markets are subject to a worldwide tax with no deferral on deemed returns, but at a lower rate between 10.5 percent and 13.125 percent. These profits, earned by US-headquartered multinational corporations, face US taxation regardless of where they are located. This worldwide tax on intangible income comprises two new definitions of income: Global Intangible Low-Tax Income (GILTI) and Foreign Derived Intangible Income (FDII).[12]

In addition to GILTI and FDII, the TCJA enacted a new minimum tax called the Base Erosion Anti-Abuse Tax (BEAT). BEAT aims to prevent corporations from using certain cross-border transactions to "strip" the US tax base. Under BEAT, corporations must pay the greater of their ordinary corporate tax liability or 10 percent of their taxable income plus "base-eroding"

payments. BEAT only applies to corporations with gross receipts above $500 million for each of the past three years and base eroding payments that exceed 3 percent of overall deductions.

The effective tax rate on GILTI is scheduled to rise to between 13.125 percent and 16.406 percent, and the FDII effective tax rate is scheduled to increase to 16.406 percent in 2026. Additionally, the BEAT tax rate is scheduled to increase to 12.5 percent in the same year.

The TCJA brought the US system more in line with the rest of the OECD in three respects.

First, the 25.8 percent combined federal, state, and local statutory corporate income tax rate is slightly below the OECD weighted average of 26.2 percent and lower than rates levied by Germany (29.9 percent), Japan (29.7 percent), and Canada (26.2 percent).

Second, the lower corporate income tax rate has reduced the tax burden on new investment. Under the TCJA, the METR on investment has decreased from 24 percent to 18 percent. The lower statutory tax rate also made it more attractive to locate high-return investments in the United States. The AETR has decreased approximately ten percentage points from 33.4 percent to 23.3 percent. It is currently only 1.1 percentage points higher than the OECD average. See Table 2.

Third, the reforms to the tax treatment of multinational corporations' foreign profits are now more aligned with how other OECD countries treat their multinational corporations. For tangible assets, US multinational corporations face the same tax burden as their competitors do in foreign jurisdictions.[13] At the same time, GILTI, FDII, and BEAT (combined with a lower statutory tax rate) address the significant base erosion and profit shifting that occurred under previous law.

Table 2. TCJA (Current Law) Compared to 38 OECD Nations

	US	Rank	OECD Average
Statutory Tax Rate	25.8%	13th	26.2%
Marginal Effective Tax Rate	18.0%	5th	11.6%
Average Effective Tax Rate	23.3%	8th	22.2%

Source: Author's calculations based on a methodology described in Pomerleau, "The Tax Burden on Corporations: A Comparison of Organisation for Economic Co-operation and Development Countries and Proposals to Reform the US Tax System."

By no means were the TCJA's corporate tax provisions perfect.

First, some of TCJA's tax cuts for new investment were temporary. As discussed above, 100 percent bonus depreciation was only enacted temporarily. In addition, lawmakers raised the tax burden on research and development (R&D) by requiring corporations to amortize those expenses over five years starting in 2022.

Second, new provisions aimed at preventing base erosion and profit shifting have several known shortcomings. GILTI, for example, can apply to the foreign operations of US-based multinational corporations even when they face relatively high effective tax rates. This is due to GILTI's

interaction with foreign tax credit limitations.[14] Likewise, BEAT is a somewhat arbitrary tool to address outbound profit shifting by multinational corporations.[15]

Lastly, the TCJA has created uncertainty for multinational corporations. As mentioned previously, the tax rates on GILTI, FDII, and BEAT are all scheduled to rise after 2025. These tax increases, in some cases, will be significant.[16] This makes planning difficult for corporations and could discourage investment activities today.

Proposals to Alter Corporate Income Taxation in the United States

Lawmakers are currently debating the future of the corporate provisions of the Tax Cuts and Jobs Act. Over the past few years, lawmakers from both parties, including the President, have proposed changes to the corporate tax code.

Making TCJA Business Provisions Permanent

As discussed above, several important provisions of the TCJA are in the process of phasing out over the next couple of years. In addition, scheduled tax increases are going into force. Lawmakers on both sides of the aisle have proposed delaying or canceling these scheduled changes. Democrats, as part of the House-passed Build Back Better Act, included a provision to delay the amortization of research and development costs.[17] Likewise, Republicans have proposed delaying the amortization of research and development costs and the switch to a tighter interest deduction cap and extending the bonus depreciation until 2025.[18] Lawmakers have yet to discuss the future of GILTI, FDII, and BEAT.

If lawmakers permanently extend bonus depreciation and revert R&D amortization and the tighter interest limitation, it would further reduce the tax burden on new corporate investment. The marginal tax rate on new investment would fall to 11.2 percent, which is slightly below the average among other OECD nations of 11.6 percent. This would also modestly reduce the AETR from 23.3 percent to 21.5 percent. See Table 3.

A downside to reverting to 2018 TCJA tax policies is that it would raise the bias in favor of debt-financed investment. The difference between the marginal effective tax rate on debt- and equity-financed investment would rise from 30.5 to 38.2 percent.

Table 3. TCJA 2018 Permanent Provisions Compared to 38 OECD Nations

	Value	Rank	OECD Average
Statutory Tax Rate	25.8%	13th	26.2%
Marginal Effective Tax Rate	11.2%	16th	11.6%
Average Effective Tax Rate	21.5%	13th	22.2%

Source: Author's calculations based on a methodology described in Pomerleau, "The Tax Burden on Corporations: A Comparison of Organisation for Economic Co-operation and Development Countries and Proposals to Reform the US Tax System."

The Biden Administration Budget

In its last three budgets, the Biden Administration proposed raising the statutory corporate income tax rate from 21 percent to 28 percent.[19]

In addition, the Administration has proposed reforms to the tax treatment of multinational corporations. This proposal would raise the GILTI tax rate to approximately 22 percent,[20] and repeal FDII and replace it with unspecified incentives for research and development. The reforms would also require corporations to calculate GILTI for each country in which they operate and repeal the 10 percent exclusion for qualified business asset investment (QBAI).[21] They would replace BEAT with a proposal from the OECD's Pillar Two, called the Under Taxed Profit Rule (UTPR).[22] Lastly, it would enact a new limitation on interest deductions for multinational corporations.

The Biden Budget proposals would, once again, make the US an outlier among OECD nations in several important respects. First, the 28 percent corporate income tax rate, combined with the average of state and local corporate taxes, would be 32.5 percent. Although this would be lower than the US corporate tax rate prior to the TCJA, it would be the second-highest corporate income tax rate in the OECD, behind only Colombia's 35 percent corporate income tax rate.

The higher statutory tax rate would also push up the US's effective tax rate on investment. The marginal effective tax rate would rise from 18 percent to 23.7 percent. This would be the second-highest marginal effective tax rate on new investment in the OECD, surpassed only by Colombia, and would be 12.4 percentage points higher than the OECD average. The average effective tax rate would also rise from 23.3 percent to 29.5 percent and would only be lower than Columbia's.

Table 4. The Biden Administration's Fiscal Year 2024 Budget Compared to the OECD

	Value	Rank	OECD Average
Statutory Tax Rate	32.3%	2nd	26.2%
Marginal Effective Tax Rate	23.7%	2nd	11.6%
Average Effective Tax Rate	29.5%	2nd	22.2%

Source: Author's calculations based on a methodology described in Pomerleau, "The Tax Burden on Corporations: A Comparison of Organisation for Economic Co-operation and Development Countries and Proposals to Reform the US Tax System."

The proposal would not only increase the overall tax burden on new investment but increase the tax code's bias in favor debt-financed investment. Despite the new interest deduction limits in the budget, the higher corporate income tax rate would increase the value of the interest deduction and simultaneously raise the tax burden on equity-financed investment. As a result, the difference between the effective tax rate on debt-financed investment would rise from 30.5 percentage points to 36.9 percent points.

Besides effective tax rates, Biden's proposal would also put the US out of step in another regard: the treatment of multinational corporations' foreign profits.

Since entering office, the Biden Administration has focused on negotiating and implementing a global deal on taxing multinational corporations. A major component of this deal is a minimum tax on the profits of multinational corporations called Pillar Two. Pillar Two includes three main components: (1) an income inclusion rule (IIR), which taxes foreign profits of domestically headquartered corporations at a minimum rate of 15 percent; (2) an undertaxed payment rule (UTPR), which acts as a backstop to the IIR and can tax foreign headquartered corporations; and (3) a domestic minimum tax called the "qualified domestic minimum top-up tax" (QDMTT), which gives countries priority to tax low-taxed profits earned in their jurisdiction.

The Biden Administration argues that its proposal would align the US Tax Code with Pillar Two. However, there would be meaningful differences.[23]

Most obviously, Pillar Two sets out a 15 percent minimum tax on foreign profits through the income inclusion rule, while the Biden Administration proposes taxing foreign profits through GILTI at a rate of 22 percent.

Other differences, however, are more subtle. Under Biden's proposal, GILTI would no longer allow corporations to exclude 10 percent of tangible assets (QBAI). In contrast, Pillar Two would allow corporations to exclude 5 percent of assets and 5 percent of payroll. In most cases, Pillar Two would not claw back timing benefits such as accelerated depreciation. GILTI, however, requires US companies to recompute foreign taxable income under straight-line depreciation, which results in additional tax if companies benefit from accelerated depreciation in a foreign jurisdiction. Lastly, Pillar Two only applies to companies with revenues above EUR 750 million (approximately USD 820 million), while GILTI applies to all corporations.

As a result, even if every country adopted Pillar Two, the US would remain an outlier, placing a heavier burden on multinational corporations headquartered in the United States. This would maintain the incentive to invert out of the United States.

The Administration's proposals would also work against one goal of the global minimum tax, which is to reduce the incentive to shift profits into low-tax jurisdictions. Profit-shifting incentives are primarily driven by differences in statutory tax rates. Setting a floor of 15 to 22 percent on foreign profits will reduce the tax savings of shifting profits into zero-tax jurisdictions. However, the administration's proposal to raise the corporate tax rate to 28 percent would increase the incentive to shift profits out of the United States.[24]

Conclusion

Prior to the TCJA, the US corporate income tax had several well-known problems and was out of line with the tax codes of much of the developed world. The TCJA addressed many of those problems and brought the US corporate tax code more in line with the rest of the OECD. However, the TCJA was not perfect and created uncertainty due to the temporary nature of certain provisions.

Future tax changes should build on the TCJA's reforms. Lawmakers should permanently extend bonus depreciation and repeal the amortization of research and development costs and do so prospectively, not retroactively. Looking forward, lawmakers should consider moving towards a cash flow tax by expanding expensing to other assets while further limiting the ability for corporations to deduct interest expense.[25]

Lawmakers should be cautious about the corporate tax changes in the Biden Administration's budget. Under the Administration's proposals, the US would have the second highest statutory and effective corporate tax rates in the OECD. This would increase the incentive for multinational corporations to shift profits and high-return investments overseas. The Biden Administration also proposes policies that are meant to align the US tax code with the OECD's global tax deal. However, it is worth emphasizing that the Administration's proposals would be more burdensome for U.S.-based multinational corporations than the OECD's model rules.[26]

Appendix Tables

Table 5. US Pre-TCJA Law, Current Law, and Proposals to Alter Corporate Income Taxation Compared to 38 OECD Nations

Statutory Tax Rate		Marginal Effective Tax Rate		Average Effective Tax Rate	
United States Pre-TCJA	**38.9%**	**United States Pre-TCJA**	**24.6%**	**United States Pre-TCJA**	**34.1%**
Columbia	35.0%	Columbia	23.9%	Columbia	31.3%
United States Biden Budget	**32.3%**	**United States Biden Budget**	**23.7%**	**United States Biden Budget**	**29.5%**
Portugal	31.5%	Japan	21.4%	Japan	27.1%
Costa Rica	30.0%	New Zealand	21.2%	Germany	27.0%
Mexico	30.0%	Germany	20.4%	Costa Rica	26.1%
Australia	30.0%	**United States Current Law**	**18.0%**	New Zealand	25.8%
Germany	29.9%	Costa Rica	17.2%	Mexico	25.7%
Japan	29.7%	Netherlands	16.5%	Australia	25.5%
New Zealand	28.0%	France	16.5%	**United States Current Law**	**23.3%**
Italy	27.8%	United Kingdom	16.2%	France	22.8%
Chile	27.0%	Spain	15.7%	Netherlands	22.7%
Korea	26.5%	Mexico	15.5%	**OECD Average**	**22.2%**
OECD Average	**26.2%**	Australia	14.8%	United Kingdom	22.1%
Canada	26.2%	Norway	14.4%	Spain	21.9%
France	25.8%	Luxembourg	13.5%	Korea	21.6%
Netherlands	25.8%	Greece	13.2%	**United States Permanent TCJA**	**21.5%**
United States Current Law	**25.8%**	**OECD Average**	**11.6%**	Luxembourg	21.1%
United States Permanent TCJA	**25.8%**	Denmark	11.3%	Canada	20.6%
United Kingdom	25.0%	**United States Permanent TCJA**	**11.2%**	Austria	20.1%
Spain	25.0%	Austria	10.1%	Norway	19.8%
Belgium	25.0%	Korea	10.1%	Greece	19.5%
Luxembourg	24.9%	Israel	10.0%	Israel	19.2%
Austria	24.0%	Sweden	9.8%	Denmark	19.0%
Israel	23.0%	Poland	9.7%	Chile	18.8%
Norway	22.0%	Slovenia	8.7%	Portugal	18.5%
Greece	22.0%	Finland	8.3%	Sweden	17.6%
Denmark	22.0%	Iceland	8.1%	Italy	17.6%
Slovakia	21.0%	Slovakia	7.8%	Slovakia	17.2%
Sweden	20.6%	Switzerland	6.5%	Finland	16.8%
Finland	20.0%	Ireland	5.9%	Iceland	16.8%
Iceland	20.0%	Czechia	5.2%	Slovenia	16.2%
Turkey	20.0%	Hungary	5.1%	Poland	16.1%
Switzerland	19.7%	Canada	5.1%	Estonia	16.0%
Poland	19.0%	Estonia	4.8%	Latvia	16.0%

Slovenia	19.0%	Latvia	4.8%	Switzerland	15.9%
Czechia	19.0%	Turkey	4.5%	Turkey	15.7%
Lithuania	15.0%	Lithuania	1.5%	Czechia	15.4%
Ireland	12.5%	Chile	-8.9%	Belgium	14.3%
Hungary	9.0%	Italy	-19.7%	Lithuania	11.2%
Estonia*	0.0%	Belgium	-25.3%	Ireland	10.6%
Latvia*	0.0%	Portugal	-35.7%	Hungary	7.9%

Source: Author's calculations based on a methodology described in Pomerleau, "The Tax Burden on Corporations: A Comparison of Organisation for Economic Co-operation and Development Countries and Proposals to Reform the US Tax System."

Note: *Estonia and Latvia do not have a traditional corporate income tax. Profits are not taxed each year. Rather, they are taxed at 20 percent when distributed.

Table 6. Debt-Equity Bias, Marginal Effective Tax Rate, and Corporate Investment

	Debt	Equity	Difference
Pre-TCJA	-33.1%	38.9%	-72.0%
Current Law	-4.1%	26.4%	-30.5%
Permanent TCJA	-16.8%	21.3%	-38.1%
FY2024 Biden Budget	-3.7%	33.2%	-36.9%

Source: Author's calculations based on a methodology described in Pomerleau, "The Tax Burden on Corporations: A Comparison of Organisation for Economic Co-operation and Development Countries and Proposals to Reform the US Tax System."

Notes

[1] Organisation for Economic Co-operation and Development, OECD Tax Database, https://www.oecd.org/tax/tax-policy/ tax-database.
[2] The marginal effective tax rate is the tax burden on an investment that breaks even in present value. It generally measures the impact a tax code has on the level of investment.
[3] Kyle Pomerleau, "The Tax Burden on Corporations: A Comparison of Organisation for Economic Co-operation and Development Countries and Proposals to Reform the US Tax System," American Enterprise Institute, October 13, 2021, https://www.aei.org/research-products/report/the-tax-burden-on-corporations-a-comparison-of-organisation-for-economic-co-operation-and-development-countries-and-proposals-to-reform-the-us-tax-system/.
[4] The average effective tax rate is the total tax burden on an investment that earns profits in present value. It generally measures the attractiveness of locating an investment in one jurisdiction over another. See Pomerleau, "The Tax Burden on Corporations: A Comparison of Organisation for Economic Co-operation and Development Countries and Proposals to Reform the US Tax System."
[5] Kyle Pomerleau, "Biden's Reforms to the Tax Treatment of US Multinational Corporations: The Knowns and Unknowns," *AEI Economic Perspectives* 2021, no. 5 (July 2021): 1-18, https://www.aei.org/research-products/report/bidens-reforms-to-the-tax-treatment-of-us-multinational-corporations-the-knowns-and-unknowns/.
[6] Kyle Pomerleau, Daniel Bunn, and Thomas Locher, "Anti-Base Erosion Provisions and Territorial Tax Systems in OECD Countries," Tax Foundation, July 7, 2021, https://taxfoundation.org/anti-base-erosion-territorial-tax-systems/.
[7] Pomerleau, "The Tax Burden on Corporations: A Comparison of Organisation for Economic Co-operation and Development Countries and Proposals to Reform the US Tax System."
[8] Pomerleau, "The Tax Burden on Corporations: A Comparison of Organisation for Economic Co-operation and Development Countries and Proposals to Reform the US Tax System."
[9] Kyle Pomerleau, "The Treatment of Business Interest Expense in the TCJA," *Tax Notes Federal* 171, (May 2021): 911-18, https://www.aei.org/articles/the-treatment-of-business-interest-expense-in-the-tcja/.
[10] Pomerleau, "The Tax Burden on Corporations: A Comparison of Organisation for Economic Co-operation and Development Countries and Proposals to Reform the US Tax System."
[11] Pomerleau, "The Treatment of Business Interest Expense in the TCJA."
[12] Pomerleau, "Biden's Reforms to the Tax Treatment of US Multinational Corporations: The Knowns and Unknowns."
[13] Pomerleau, "Biden's Reforms to the Tax Treatment of US Multinational Corporations: The Knowns and Unknowns."
[14] Richard Rubin, "New Tax on Overseas Earnings Hits Unintended Targets," *The Wall Street Journal*, March 26, 2018, https://www.wsj.com/articles/new-tax-on-overseas-earnings-hits-unintended-targets-1522056600.
[15] Martin A. Sullivan, "Economic Analysis: The Base Expansion Arbitrary Tax," *Tax Notes Federal* 160, (September 2018): 1662-4, https://www.taxnotes.com/tax-notes-today-federal/tax-cuts-and-jobs-act/economic-analysis-base-expansion-arbitrary-tax/2018/09/17/28f2z.
[16] Richard Rubin, "Global Tax Mess Awaits U.S. Companies, and Congress Isn't Helping," *The Wall Street Journal*, June 17, 2023, https://www.wsj.com/articles/global-tax-mess-awaits-u-s-companies-and-congress-isnt-helping-eec13f2c.
[17] Joint Committee on Taxation, *Estimated Budget Effects of The Revenue Provisions Of Title XIII – Committee On Ways And Means, Of H.R. 5376, The "Build Back Better Act," As Passed By The House Of Representatives*, JCX-46-21, (November 19, 2021), https://www.jct.gov/publications/2021/jcx-46-21/.
[18] Alex Brill and Kyle Pomerleau, "Analyzing the Build It in America Act: Proposals for Business Tax Reform," AEIdeas, June 12, 2023, https://www.aei.org/economics/analyzing-the-build-it-in-america-act-proposals-for-business-tax-reform/.
[19] Department of the Treasury, *General Explanations of the Administration's Fiscal Year 2024 Revenue Proposals,* (March 9, 2023), https://home.treasury.gov/system/files/131/General-Explanations-FY2024.pdf.
[20] Under the Administration's proposal, corporations could deduct 25 percent of GILTI against taxable income and would receive a 95 percent foreign tax credit. Thus, the effective tax rate is 28%*(1-25%)/95% = 22%.

[21] Pomerleau, "Biden's Reforms to the Tax Treatment of US Multinational Corporations: The Knowns and Unknowns."

[22] Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2024,* (March 2023), https://www.whitehouse.gov/wp-content/uploads/2023/03/budget_fy2024.pdf.

[23] Kyle Pomerleau, "Biden's Tax Reforms Could Leave US Multinational Corporations at a Competitive Disadvantage," *MNE Tax*, April 13, 2022, https://www.aei.org/op-eds/bidens-tax-reforms-could-leave-us-multinational-corporations-at-a-competitive-disadvantage/.

[24] Cody Kallen, "International Tax Proposals and Profit Shifting," Tax Foundation, August 24, 2021, https://taxfoundation.org/international-tax-proposals-profit-shifting/.

[25] Kyle Pomerleau and Alex Brill, "A Simpler, More Responsible, and Pro-Growth Tax System," in *American Renewal: A Conservative Plan to Strengthen the Social Contract and Save the Country's Finances*, ed. Paul Ryan and Angela Rachidi (Washington, DC: AEI Press, 2022).

[26] Cody Kallen, "How Heavily Taxed Are U.S. Multinationals," Tax Foundation, September 29, 2021, https://taxfoundation.org/us-multinational-corporations-tax/.