



AMERICANS for TAX REFORM

March 10, 2010

The Honorable Todd Tiahrt
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Tiahrt:

On behalf of Americans for Tax Reform, I am pleased to support H.R. 4781, the “Keeping American Businesses Competitive Act of 2010.” I urge all Members of Congress to co-sponsor and support this vital legislation.

Your bill reduces the federal corporate income tax top rate from 35 percent to 22 percent. Importantly, it does so for any tax year ending in 2009, meaning that businesses would be able to benefit immediately from the pro-growth benefits of the tax relief.

Corporations don’t pay taxes—people do. The money which is collected in the form of the corporate income tax first is felt by consumers (higher prices), those with IRAs and 401(k) plans (lesser capital gains and dividends), and employees (lower wages and benefits). A cut in the corporate income tax rate is a price cut at the store, a booster shot to your IRA, and a bonus in your paycheck. A recent study by CBO concluded that \$0.60 on the \$1.00 of every corporate income tax cut eventually finds its way into higher wages and benefits.

The U.S. imposes the second-highest corporate income tax rate in the developed world (only slightly behind Japan). By reducing the top rate to 22 percent, the U.S. corporate rate (including state corporate income taxes) will be about the same as our European competitors and trade partners, who average a 25 percent rate. This will go a long way toward making America a more attractive place to in-source increasingly-mobile jobs, plant facilities, and corporate headquarters. We’ll need it, since high-growth nations like Ireland (12.5 percent) and the former Warsaw Pact countries have little to no corporate tax at all.

A corporate rate cut has the advantage of solving the deferral of foreign income question in a pro-growth way (since our rate would be the same or lower than many large nations). It reduces the double taxation of retained corporate earnings (capital gains) and distributed corporate earnings (dividends). Corporations who themselves have accumulated capital gains can move assets and not pay a hefty tax penalty. Lower rates encourage the production, rather than the sheltering, of income. A lower rate neutralizes some of the bias toward debt financing vs. equity financing of capital. It makes the gap between tax depreciation and full business expensing less pronounced.

Best of all, H.R. 4781 is a simple, straightforward bill. It merely reduces the top corporate rate. It does not endanger any exclusions, deductions, or credits currently in the code (all of which become less important in a lower tax rate environment). **This type of bill should be on the short list for conservative tax reforms in the next decade.**

Sincerely,

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