EDWARD CONARD

TOP TEN The New York Times BESTSELLER

Macro Roundup Article

Headline: US International Corporate Taxation after the Tax Cuts and Jobs Act

Article Link: https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.38.3.89

Author(s)	Kimberly Clausing
Publication	Journal of Economic Perspectives
Publication Date	August 13, 2024

Tweet: .@KClausing notes that 350 US firms represent 70% of the tax base, and argues that international cooperation is required to maintain competitiveness of domestic firms while preventing profit-shifting to low-tax jurisdictions.

Summary: A small number of large corporations have disproportionate economic heft; these companies are also far more likely to be multinational companies. According to the [2022] IRS Statistics of Income database fewer 0.1% of all corporations, or about 350 firms, account for nearly 70% of the tax base. These large firms have the ability to shift profits to more lightly taxed offshore destinations. Concerns [about competitiveness] made it difficult for US policymakers to satisfy key policy goals: clamping down on profit-shifting would raise competitiveness worries, but being too responsive to competitiveness worries would spur further tax base erosion. Coordinated minimum taxation shrinks tax differentials between home tax rates and the lowest rate abroad, enabling governments to better set corporate tax policy based on domestic policy goals. As US policymakers contemplate reform of international corporate taxation in the years ahead, traditional tax policy dilemmas will be less stark. While the Base Erosion and Profit Shifting agreement and the Pillar 2 rules can be improved over time, they illustrate the importance of international economic cooperation in addressing global collective action problems.

Related Articles: Tax Policy and Investment in a Global Economy and Who Gains from Corporate Tax Cuts? and Lessons from the Biggest Business Tax Cut in US History and Which U.S. Stocks Generated the Highest Long-Term Returns?

Primary Topic: Taxation

Topics: Academic paper, Fiscal Policy, Taxation

PDF File URL: 'https://www.edwardconard.com/wp-content/uploads/2024/08/us-international-corporate-taxation-after-the-tax-cuts-and-jobs-act-journal-of-economic-perspectives-2024-08-13.pdf

Permalink: https://www.edwardconard.com/macro-roundup/kclausing-notes-that-350-us-firms-represent-70-of-the-tax-base-and-argues-that-international-cooperation-is-required-to-maintain-competitiveness-of-domestic-firms-while-preventing-profit-shifting-t?view=detail

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/08/22728-us-international-corporate-taxation-after-the-tax-cuts-and-jobs-act-featured-thumbnail-image.png