Frequently Asked Questions: U.S. Corporate Taxes and Tax Reform

Q: Why all the talk about corporate taxes?

There’s currently bipartisan agreement that the corporate tax code is ripe for reform.

- In fiscal 2013 corporations took advantage of 75 tax breaks, costing the federal government around $108 billion. That’s as large as federal spending on education plus scientific research.
- Many reformers are targeting the largest of those loopholes, which allows corporations to delay or avoid paying taxes on profits made outside the country. This tax break – called deferral – cost the government about $42 billion in 2013, and $236 billion over the past five years.

Q: I’m hearing about tax reform in the news. What exactly is tax reform?

Tax reform generally has three objectives – though not everyone who supports reform supports all three:

1. Make the tax code more efficient by simplifying tax laws and reducing loopholes.
2. Raise sufficient revenue to fund popular federal programs – ranging from education and scientific research to infrastructure repairs – thereby preventing the need for budget cuts.
3. Make the tax code fairer by ensuring that wealthy taxpayers pay higher rates than middle-class taxpayers, which is often not the case currently.

Q: But why should I care about tax reform?

Whether it’s natural disaster preparedness, early-childhood education, meals on wheels for seniors, clean water and air, repairs to roads and bridges, or veterans benefits, taxes fund programs on which you and your community rely. Tax reform should ensure that our government raises enough revenue to provide services that, according to opinion polls, citizens overwhelmingly value.

Q: Is tax reform only about corporate taxes?

Currently reformers are focused on corporate taxes. Yet the individual income tax code is also rife with costly and complicated tax breaks, including those that disproportionately benefit the wealthy. Ten major tax breaks which together total more than $750 billion in tax savings in 2013 are tilted heavily in favor of the top income earners; according to the Congressional Budget Office, 17 percent of the benefits from major tax breaks go to the top 1 percent of households. Changes to the individual income tax code could raise substantial revenue and reduce budget deficits, as was the case with the sunset of some of the upper-income Bush-era tax cuts in December 2012.

Sources: http://bit.ly/npptaxsources