Press Release

The Rhetoric Versus The Reality of a Corporate Book Tax

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As congressional Democrats are debating tax policies to offset the spending commitments in the reconciliation bill, perhaps no proposal under discussion is more rooted in rhetoric and misperception than the proposed minimum tax on corporations. In a new insight, Director of Fiscal Policy Gordon Gray reviews the proposed corporate book tax, which is grounded in annual lamentations that a number of major corporations have zero tax liabilities in a given year, despite being profitable according to financial statements. Gray contends that examining the major claims by the proposal's advocates reveals a disconnect between the policy's rhetoric and reality.

Gray concludes:

> Congress is in search of tax increases to finance new spending and is exploring less conventional approaches to revenue raising. Rather than painfully eliminating the tax preferences that give rise to the phenomenon of major firms paying little to no federal income tax in a given year, some policymakers are considering layering a new alternative minimum tax based on an entirely separate concept of corporate income. In so doing, they will outsource the determination of the corporate tax base to a board of accountants, while likely retaining many of the same features that drive this issue to begin with. The result will be a tax policy that inefficiently raises revenue without ending the "problem" that inspired it.

Read the analysis