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CHAIRMAN JIM SAXTON

PRESS RELEASE

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NEW STUDY HIGHLIGHTS OPTIONS FOR CORPORATE TAX REFORM

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WASHINGTON, D.C. – The U.S. corporate income tax is overly complex and counterproductive, according to a new Joint Economic Committee (JEC) study released today by Chairman Jim Saxton. The new study, *Reforming the U.S. Corporate Tax System to Increase Tax Competitiveness*, identifies several different ways the tax could be improved. These options include territorial taxation, individual and corporate income tax integration, movement toward consumption taxation, and elimination of the corporate alternative minimum tax or the corporate income tax altogether.

“As Congress examines the issue of tax reform, this study shows that there are many opportunities to improve the competitiveness of the U.S. corporate income tax,” Saxton said. “The complexity and inefficiency of the current tax system is mind-boggling, creating ample room for improvement. American firms should be focused on productivity, investment and job creation, not on complying with excessive tax regulations.

“One major contribution to this tax complexity is the worldwide system of taxation, as opposed to the territorial system of taxation used by many advanced nations. Under the U.S. system, an awful lot of talent, energy, time, and other resources is used to try to allocate corporate income and costs to operations in specific countries. By moving to a territorial approach to taxation, much of this complexity and associated waste of resources could be avoided.

“Furthermore, other fundamental reforms of corporate taxation could lessen the tax bias against investment embedded in the tax code. Integration of individual and corporate income taxes would be one good step, and immediate expensing of investment would be another. Reduction or elimination of the corporate alternative minimum income tax should also be considered by Congress. Ultimately, it would be desirable to examine other steps to move the tax system as a whole in the direction of consumption taxation.

“As this study and other research have demonstrated, corporations don’t pay taxes, people do in their capacity as shareholders, workers, and consumers. Keeping this fact in mind, we can do a much better job designing a tax system that is less complex and more economically efficient,” Saxton concluded.

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