



April 15, 2015

Senate Committee on Finance  
Business Working Group  
219 Dirksen Senate Office Building  
Washington, DC 20510-6200

We, the co-Chairs of the RATE Coalition, Elaine Kamarck and Jim Pinkerton, write to you today to strongly urge you to move forward on a plan to grow the economy, create jobs, increase wages, and re-instill faith in our system of government.

The RATE Coalition, whose membership includes more than 30 companies and associations that represent over 30 million American workers, across every state in the union, stands with leaders on both sides of the aisle who believe that our tax code is fundamentally broken and needs to be fixed.

Our Coalition represents employees and employers, in every sector of the American economy, who build and operate planes, trains, and automobiles; sell consumer goods; build broadband and wireless networks; provide financial services and healthcare; create the world's leading media content; and produce the energy that we all use every day.

All of our members are united in their desire to see a more competitive American economy.

We believe that the United States needs a simpler, more transparent and fairer business tax system -- one that doesn't pick winners and losers, one that allows the marketplace to work in a more effective and efficient way, and one that will bolster the economy, not weigh it down. We also believe that our current tax system puts America in a weaker position competitively, compels American companies to move their operations or intellectual property to other countries, and encourages counter-productive economic activity.

We believe that the fairest way to achieve tax reform is to set the corporate tax at a globally competitive rate of 25 percent or less and get rid of loopholes. Twenty-five percent is the average tax rate of America's leading competitors and trade partners, and that seems like a smart place to start when it comes to the first fundamental reform of our tax code since 1986.

Some American companies pay slightly more with this rate, and some pay less, but the end result will be a stronger economy, higher wages, more jobs, and more robust growth.

The Pew Research Center released a study which showed that despite the fact that America has the highest corporate rate in the world, the American people believe that corporations do not pay their fair share of taxes. Of those polled, fully 75 percent of Democrats and 52 percent

of Republicans believe that corporate America does not pay its fair share.<sup>1</sup> The best way to restore faith in the system and spur economic growth is to get rid of the loopholes and set the rate at a globally competitive 25 percent or less.

According to a study done by Ernst and Young tax professionals, “the share of [Fortune Global 500] companies headquartered in the U.S. declined from approximately 36 percent in 2000 to 26 percent in 2014 amid a global trend toward reducing corporate income tax rates.”<sup>2</sup>

The report also found that “the average corporate income tax rate imposed on non-U.S.-headquartered [Fortune Global 500] companies declined from 39.2 percent in 2000 to 28.1 percent in 2014. In contrast, the U.S. corporate income tax rate, including both the federal tax rate and a weighted average state tax rate, has remained essentially unchanged during the period.”<sup>3</sup>

**Finally, the Tax Foundation found that setting the corporate tax at a globally competitive rate of 25 percent would grow the economy and boost take-home pay:**

Our model indicates that private sector GDP would increase by 2.26 percent, while the capital stock would grow by 6.35 percent. This is because the after-tax cost of capital would fall by nearly 4 percent, making investment that much more attractive. Workers would also benefit from corporate tax rate cuts, as the wage rate would increase by nearly 2 percent and the amount of hours worked in the economy would increase slightly by 0.40 percent. If all of the growth in labor compensation goes into added jobs, these growth rates suggest that the number of full-time equivalent jobs would increase by roughly 2.3 million. Over the decade, the tax reduction would cost the government, and save taxpayers, a net \$539 billion, while taxpayers would also gain \$3.8 trillion in higher income. Their after-tax gain would be the sum of these two, \$4.3 trillion.<sup>4</sup>

We agree.

Greater transparency and more simplicity will restore faith in government. Fixing the corporate tax regime will keep American companies in America. And tax reform will increase take-home pay, create more revenue and increase economic growth.

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<sup>1</sup> Pew Research Center, *Federal Tax System Seen in Need of Overhaul*, Mar. 19, 2015, available at <http://www.people-press.org/2015/03/19/federal-tax-system-seen-in-need-of-overhaul>.

<sup>2</sup> Bob Carroll, Kevin Bloomfield & Meaghan Maher, *The Changing Headquarters Landscape for Fortune Global 500 Companies*, BLOOMBERG BNA DAILY TAX REPORT, Dec. 15, 2014, at 1, available at [http://www.ey.com/Publication/vwLUAssets/EY-the-changing-headquarters-landscape-for-fortune-global-500-companies/\\$FILE/EY-the-changing-headquarters-landscape-for-fortune-global-500-companies.pdf](http://www.ey.com/Publication/vwLUAssets/EY-the-changing-headquarters-landscape-for-fortune-global-500-companies/$FILE/EY-the-changing-headquarters-landscape-for-fortune-global-500-companies.pdf).

<sup>3</sup> *Id.* at 2.

<sup>4</sup> Scott A. Hodge, Stephen J. Entin & Michael Schuyler, Tax Foundation, *Using Dynamic Analysis Makes Tax Reform 30 Percent Less Challenging*, Aug. 26, 2013, available at <http://taxfoundation.org/article/using-dynamic-analysis-makes-tax-reform-30-percent-less-challenging>.

We respectfully urge you to move forward on your plans to reform the tax code. And we urge you to embrace the RATE plan, which contains the following five elements:

- 1. Fix the Tax Code**
- 2. Set the Corporate Tax Rate at a globally competitive 25% or less**
- 3. Close Tax Loopholes**
- 4. Keep American Companies in America**
- 5. Enable the U.S. economy to grow resulting in higher take-home pay for American workers**

There are discussions happening in every corporate board room in America. Do we move our operations or invest more overseas, or do we continue to lose ground to our international competitors? Policy makers need to understand that these are not idle discussions and that corporate tax reform is not just a nice accomplishment. It is an urgent necessity, with real American jobs at stake.

Respectfully,

Elaine Kamarck & James Pinkerton  
RATE Coalition Co-Chairs

RATE is a coalition of 34 companies and organizations advocating for sensible corporate tax reform. Making the tax code fairer and simpler will help spur job growth and stimulate the U.S. economy, and make us more competitive globally. RATE members currently include: AT&T, Altria Client Services Inc., Association of American Railroads, Babcock & Wilcox, Boeing, Brown Forman, Capital One, Cox Enterprises, CVS Caremark, Edison Electric Institute, FedEx, Ford, GAP Inc., General Dynamics, Home Depot, Intel, Kraft Foods, Kimberly-Clark, Liberty Media, Lockheed Martin, Macy's, National Retail Federation, Nike, Northrup Grumman, Raytheon, Reynolds American, Southern Company, Time Warner Cable, T-Mobile, UPS, Verizon, Viacom, Walt Disney and Walmart. RATE members and affiliated companies represent over 30 million employees in all 50 states and support innumerable numbers of suppliers and small businesses.

More information about the coalition is available at [www.RATEcoalition.com](http://www.RATEcoalition.com).