

CORPORATE TAXES

what you need to know

The following answers are based on the truth, not “alternative facts.” They are provided by the Indivisible Bluegrass Research Team.

Q: Are American businesses overtaxed?

A: No. Corporate taxes are at near-record lows. The top rate is 35 percent, which is the rate Republicans always cite, but loopholes and exclusions allow most companies to pay an average of 19 percent. This is extremely competitive with other countries.

Q: Andy Barr says that when businesses get tax breaks, they create jobs and raise workers’ salaries. Is he right?

A: No. Businesses do not expand or hire more workers unless there is an increase in demand for their products. When there is no increased demand, corporate tax cuts merely increase profits. They do nothing to grow the economy.

Since the corporate tax cuts of the 1980s and 2001, growth of top corporations has far outstripped growth of the U.S. economy. Since the 1980s, corporate profits have risen 800 percent while median family income has increased only 23 percent.

Q: Why have corporations done so well?

A: Several factors are at play. First, Congress cut corporate taxes by 50 percent in recent decades. Second, many companies have shifted production to foreign countries, where labor costs are low. Third, U.S. companies have moved trillions of dollars in profits to offshore tax havens where the money sits, tax-free, like a retirement account.

And now the Trump Administration is decreasing business regulations as yet another way to boost profits. Fewer regulations mean fewer protections for the public against business abuses and excesses.

These practices have resulted in slightly cheaper goods for American consumers, but they have depressed large sectors of the U.S. economy.

Q: If businesses are not creating jobs or raising worker salaries, where are the profits going?

A: To higher dividends for shareholders and higher salaries for executives. In the last few decades, the salaries of corporate chiefs have increased a whopping 1,000 percent. Congress has sliced the American economic pie in such a lopsided manner that, even if our economy surged, it is unlikely those in



the middle or bottom would see much benefit.

Q: So what can we do to slice the pie more evenly?

A: Government must invest in worker education, training and development. If American workers are to grow and thrive in the global workplace, they must prove to U.S. and foreign corporations that they offer unique skills and value that cannot be found in countries that merely offer cheap labor.

Q: The Republicans believe government should “get out of the way” and let businesses do their own thing. What do you say?

A: We say that belief is naïve and wrong-headed. If the government “got out of the way” in previous eras, we’d have no transcontinental railroad, interstate highway system and seaports, no medical advances and space programs, no land grant universities.

Businesses, which exist solely to make money, certainly wouldn’t have invested in these advancements on their own.

Government exists to improve the lives of all its citizens. There is a place in society for both these sectors. The two must work together if we are to have an economy that improves the lives of all citizens.

To learn more, go to www.indivisiblebluegrass.org and click on Resistance Toolkit > Research > *The War on Coal*

November 2017