A Modern Corporate Tax

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Figure 1: Corporate Tax Revenues, Percentage of GDP and of Federal Revenues
Figure 3: G-7 Corporate tax rates, 1990-2010

Can We Avoid a Race to the Bottom?

- Not if we stick with the corporate tax system we have inherited from 1909
- But we can do better
- Ideas not new, but would be new to actual corporate tax systems
Two Steps

1. Tax cash flows, not income
   • Reduce tax on new domestic investment
   • Level playing field between debt and equity

2. Tax only domestic transactions
   • Eliminate incentives to shift production and profits abroad by focusing on the location of sales, not production

Result: A **simpler** tax system that encourages **investment** and is more **progressive**