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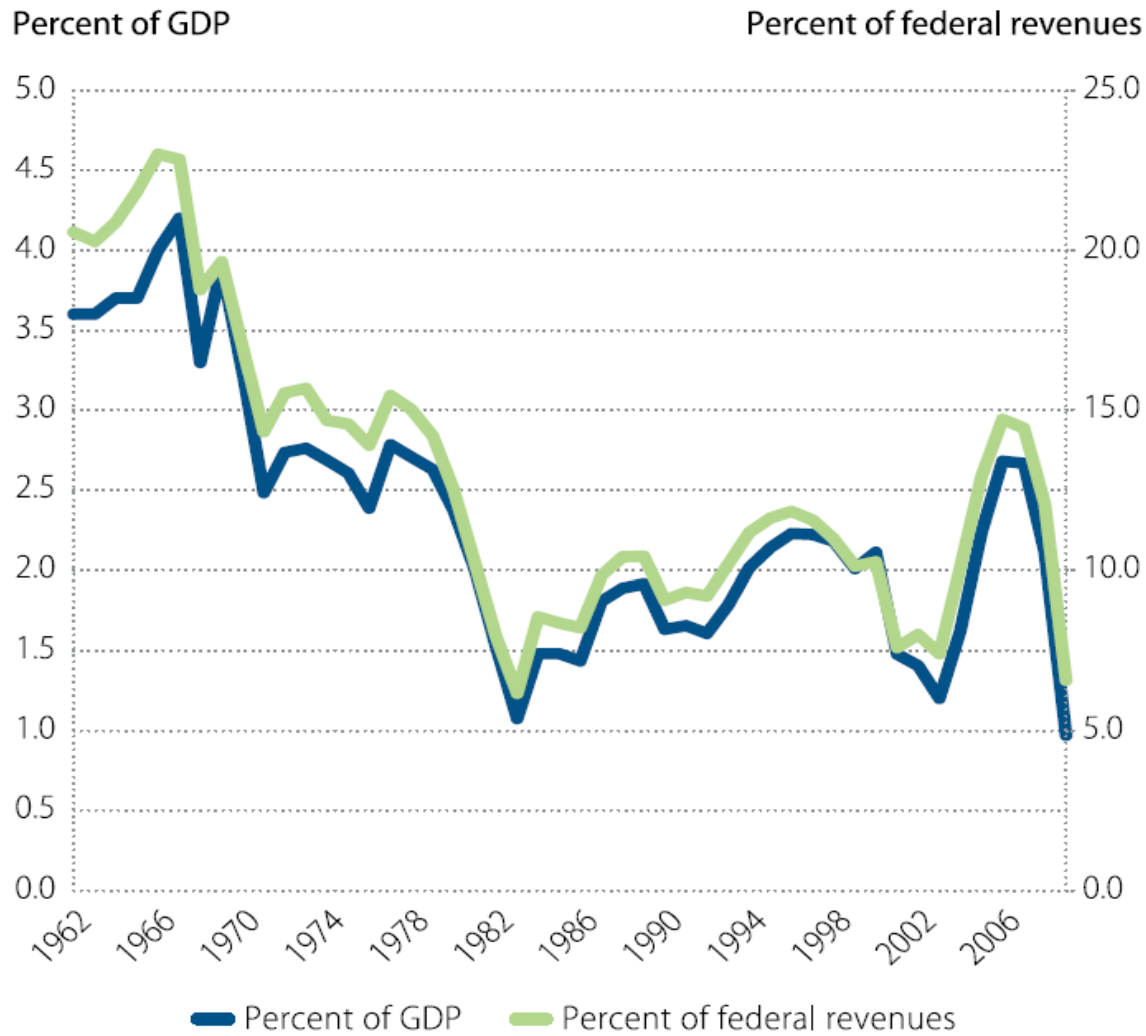


# A Modern Corporate Tax

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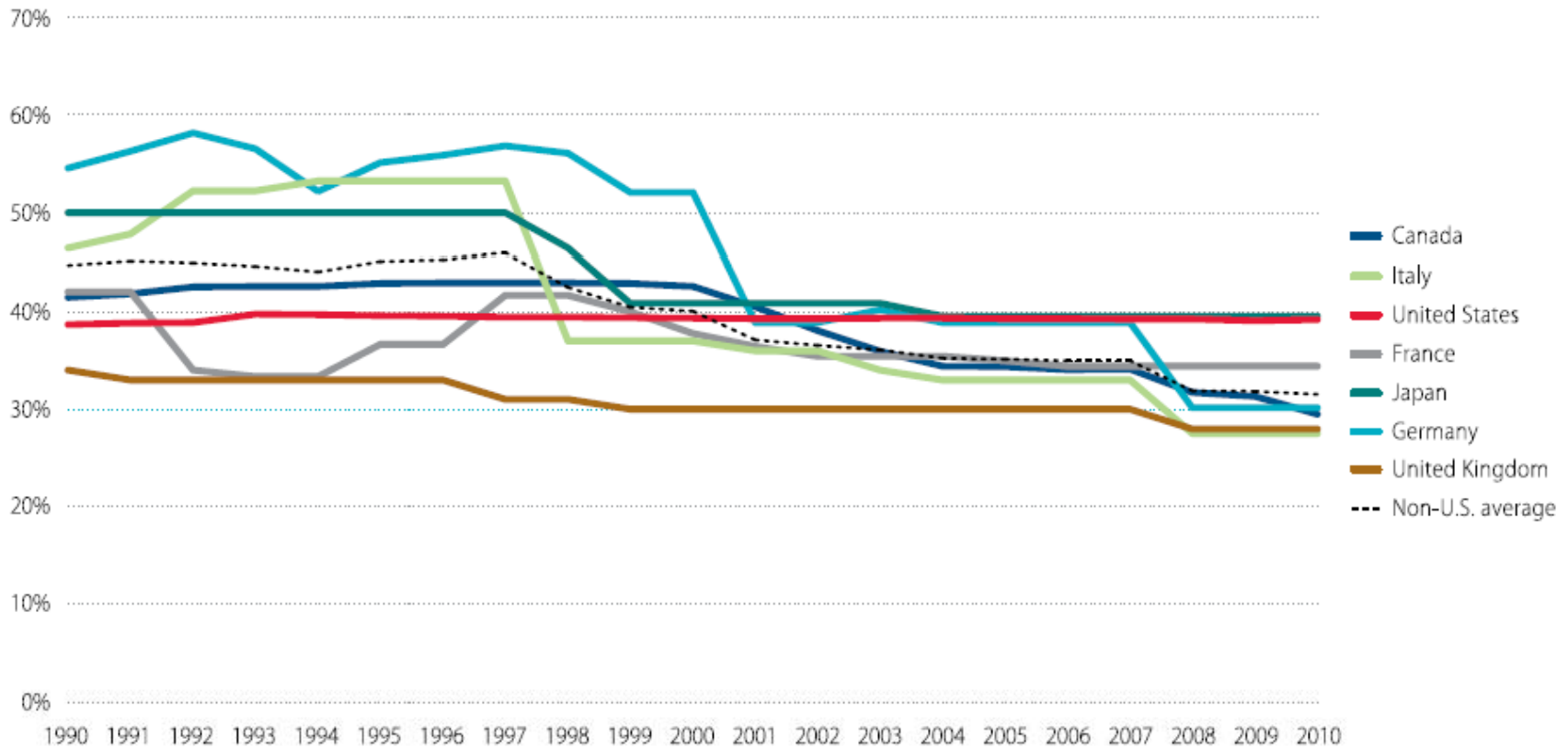
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# Figure 1: Corporate Tax Revenues, Percentage of GDP and of Federal Revenues



Source: Congressional Budget Office

# Figure 3: G-7 Corporate tax rates, 1990-2010



Source: Institute for Fiscal Studies, available at <http://www.ifs.org.uk/publications/3210>.

# Can We Avoid a Race to the Bottom?

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- 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

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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