

HIGHER CORPORATE TAX RATES WOULD HURT JOBS AND INVESTMENT IN ILLINOIS AND SLOW ECONOMIC RECOVERY



The OECD has called the corporate income tax the most harmful form of taxation for economic growth because it discourages job creation and productivity enhancing investments that boost wages.¹

According to the OECD, the current 25.8% combined U.S. federal and state corporate tax rate is already 2.3 percentage points higher than the average for the other 36 OECD² member countries (23.4%).³

Increasing the U.S. federal tax rate to 25% would raise the average combined U.S. rate to more than 6 percentage points above the average OECD rate. Some 30 OECD countries would have a lower corporate tax rate in 2022.

ILLINOIS COMPANIES WOULD FACE THE HIGHEST TAX RATES AMONG ADVANCED ECONOMIES

Due to Illinois' existing corporate tax rate, companies in Illinois would face a 32.1% combined federal and state tax rate – the highest among advanced economies and significantly higher than China's rate – if the federal rate is raised to 25%.⁴

INCREASING THE FEDERAL CORPORATE TAX RATE TO 25% WOULD LEAVE ILLINOIS COMPANIES PAYING THE HIGHEST TAX RATES AMONG ADVANCED ECONOMIES

WITH A 25% U.S. FEDERAL CORPORATE TAX RATE

23.1%

2022 Non-U.S. OECD
Average Combined Rate

25%

China's Corporate Rate

32.1%

Combined Corporate
Rate in Illinois

*(All OECD country tax rates are
lower than this combined rate)*

Taken together with proposed international tax changes, a 25% rate would raise the corporate tax burden by approximately six times the 2017 net tax cut. This is due to base broadening provisions in the 2017 tax law that increased business taxes by \$1 trillion before a reduction in the corporate tax rate.

Broad-base, lower-rate corporate tax reform enacted in 2017 has achieved its objectives of making the United States a more attractive location for jobs and investment. Prior to the pandemic, the 3.6% unemployment rate in Illinois was one of the lowest in history, wages and investment were growing, and GDP was expanding much faster than forecast.

Weakening the current competitive U.S. tax system would slow job growth and undermine our economic recovery.

The current system aligns with global competitors', including China's, so American businesses and workers can compete on a level playing field at home and abroad.

Increasing taxes on Illinois companies risks jobs and competitiveness.

Good tax policy should help American businesses and workers compete - not hold them back. When U.S. companies can compete at home and around the world, they can invest in the U.S. and create jobs.

1. OECD, Tax Policy Reform and Economic Growth, 2010.

2. The Organisation for Economic Co-Operation and Development (OECD) is an intergovernmental economic organization with 37 advanced economy members, including the United States.

3. OECD Corporate Tax Database, <https://www.oecd.org/tax/tax-policy/tax-database/>. Average U.S. state tax rate is 6.034% before deductibility against federal tax rate of 21%, resulting in a combined rate of 25.77% after deductibility (21% plus a 4.8% average state rate after deduction against federal taxes)

4. Tax Foundation map of combined federal and state corporate tax rates: <https://files.taxfoundation.org/20210504142352/25-Percent-Corporate-Income-Tax-Rate-under-Biden-Tax-Plan-25-Percent-Corporate-Tax-Rate-2021-US-Competitiveness.png>