

6 Reasons Why the Corporate Tax Rate Needs to Be Lowered Immediately

At close to 40 percent when including state rates, the U.S. corporate tax rate is one of the highest in the world.

By comparison, the average corporate tax rate among nations in the Organization for Economic Cooperation and Development stands at 25 percent.

Politicians and pundits often talk about companies moving operations to friendlier corporate tax countries, and they are right to do so. The corporate tax climate in the U.S. is a major factor in companies' decisions to move abroad.

Some of those companies are uniquely American, yet nonetheless have relocated. Here are just six examples:

1. Burger King

While Burger King does not directly cite taxation as its motive for moving, it is clear it will benefit. It is reported that between 2015 and 2018, Burger King could save \$275 million in taxes.

In 2014, Burger King Corp. purchased Canadian fast-food restaurant Tim Hortons Inc., and soon thereafter moved its company headquarters to Canada, where the net corporate tax rate is a mere 15 percent.

2. Liberty Global PLC

Liberty Global PLC, an American-based telecom company that primarily provides broadband internet service, hopped across the pond to London after purchasing British-based telecom company Virgin Media PLC for \$23 billion in 2013. The United

Kingdom currently has a corporate tax rate of 20 percent.

3. Tyco International PLC

Tyco International PLC, which produces security and fire protection devices such as the sprinkler, and is domiciled in Ireland, accepted a deal to merge with Milwaukee-based Johnson Controls. Tyco is now headquartered in Ireland where the corporate tax rate is 12.5 percent—the lowest in the Organization for Economic Cooperation and Development.

4. Medtronic PLC

Medtronic PLC, known for a variety of technological developments, including the pacemaker, merged with Irish pharmaceutical company Covidien, enabling it to take advantage of the low corporate tax rate in Ireland. Since the merger, Medtronic has saved more than \$3 billion in taxes and currently has over \$14 billion stashed overseas.

5. Waste Connections Inc.

In 2016, Texas-based Waste Connections Inc., a waste management company, and Ontario-based Progressive Waste Solutions Ltd. merged in order to take advantage of the Canadian corporate tax rate. The merger is worth north of \$4.1 billion, potentially saving millions.

6. IHS Inc.

Also in 2016, financial services company IHS Inc. agreed to merge with Markit Ltd., a data company based in the United Kingdom. With the merger worth upward of \$13 billion, the move to London means that a substantial reduction in its tax burden will have large implications for the company.

Some companies, on the other hand, were not able to relocate.

Take global pharmaceutical giant Pfizer Inc. Pfizer aimed to move its headquarters to Ireland through the purchase of

Allergan PLC, an Irish-based pharmaceutical company, but was blocked by the Obama administration in a stunning display of targeted executive regulation.

The \$160 billion deal would have been the largest corporate inversion in U.S. history.

Clearly, corporate inversions are a problem that needs to be solved—but using regulation to keep companies on U.S. soil is the wrong way to solve the problem. Using executive orders to force companies to stay fails to address the deeper reason companies are fleeing.

The simple reason, as these examples illustrate, is the hostile corporate tax climate.

To address that problem, Congress should pass sweeping corporate tax reform that dramatically lowers rates, making America the most attractive place in the world to do business.

An ideal reform would bring rates as low as possible for both small and large businesses. This rate should at least make us competitive with the Organization for Economic Cooperation and Development average.

In addition, it should repeal the 3.8 percent Obamacare surtax on capital gains and dividends, allow for immediate expensing, and move to a territorial tax system like almost every other developed nation has.

We believe in a free and open market for business that allows global competition, and allows companies to be free to move as they please. But in order to compete in the free market, we need to have policies that attract businesses and keeps them here, not deter them or cause them to leave.

For the U.S. to continue with the highest corporate tax rate in the world, we fight with one hand tied behind our back. To bring these companies home, and to attract new companies, we

must reform the corporate tax rate and give job creators the ability to grow right here in America. {eoa}

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