Q. How do US corporate income tax rates and revenues compare with other countries'?

A. The US corporate income tax rate is now lower than the top rate in all other leading economies except for the United Kingdom. Corporate income tax revenues in the United States as a share of gross domestic product have been lower than the average in other leading economies, even before the 2017 reduction in the US corporate tax rate.

CORPORATE TAX RATES

The 2017 Tax Cut and Jobs Act (TCJA) reduced the top US corporate tax rate from 35 percent to 21 percent and the average combined federal and state rate from 38.9 percent to 25.8 percent. As a result, the top US corporate tax rate, including the average state corporate rate, is now lower than that of all other leading economies in the G7 except the United Kingdom (with a 19 percent rate). Further, it is slightly below the average rate, weighted by gross domestic product (GDP), for the other Organisation for Economic Co-operation and Development (OECD) countries (figure 1).

CORPORATE TAX REVENUES

In 2016, even before the rate cut, the United States raised less revenue from corporate income taxes as a share of GDP than the average of other countries in the OECD (figure 2). Revenue has increased as a share of GDP in most OECD countries because base-broadening measures that subject more income to tax have more than offset the cuts in tax rates. In the United States, revenue has varied significantly from year to year with economic conditions and the vagaries of temporary investment incentives. Revenue, however, has remained at slightly over 2 percent of GDP in most years since the 1980s.

The Congressional Budget Office projects that federal corporate revenues will decline to about 1.2 percent of GDP in fiscal year 2018 because of the rate cut and investment incentives in TCJA, and then increase to about 1.5 percent of GDP at the end of the 10-year budget period. These projections assume that bonus depreciation enacted in the TCJA will phase out beginning in 2023 as currently scheduled and that base-broadening measures and the 2026 increases in tax rates for global intangible low-taxed income and foreign-derived intangible income will also occur as scheduled.

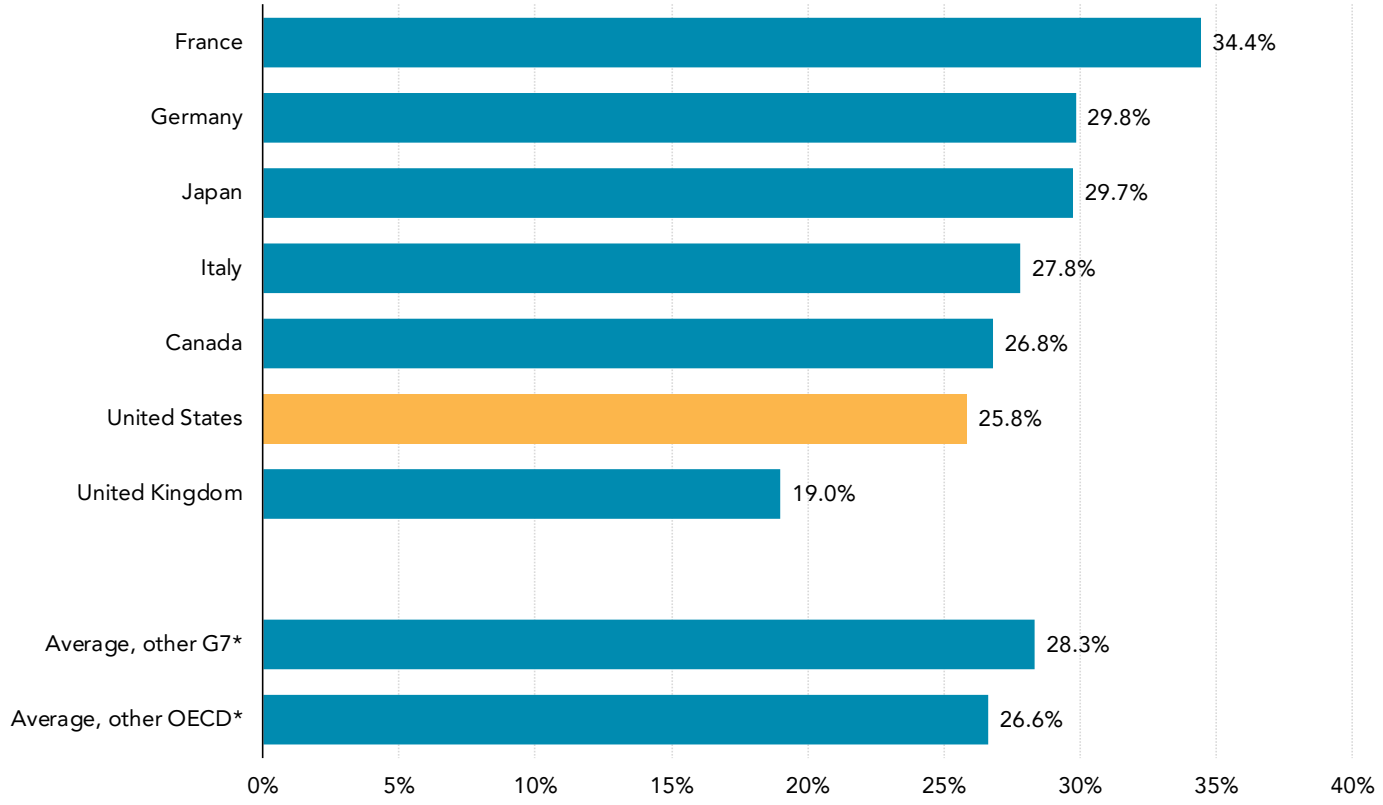
US corporate tax revenues were a smaller share of GDP than in some other developed countries because the US has a narrower tax base and an increasing share of business activity originating in businesses not subject to corporate tax (such as partnerships and subchapter S corporations).

Key Elements of the U.S. Tax System

How do US corporate income tax rates and revenues compare with other countries'?

FIGURE 1

Maximum Corporate Tax Rates Among Leading Economies
2018



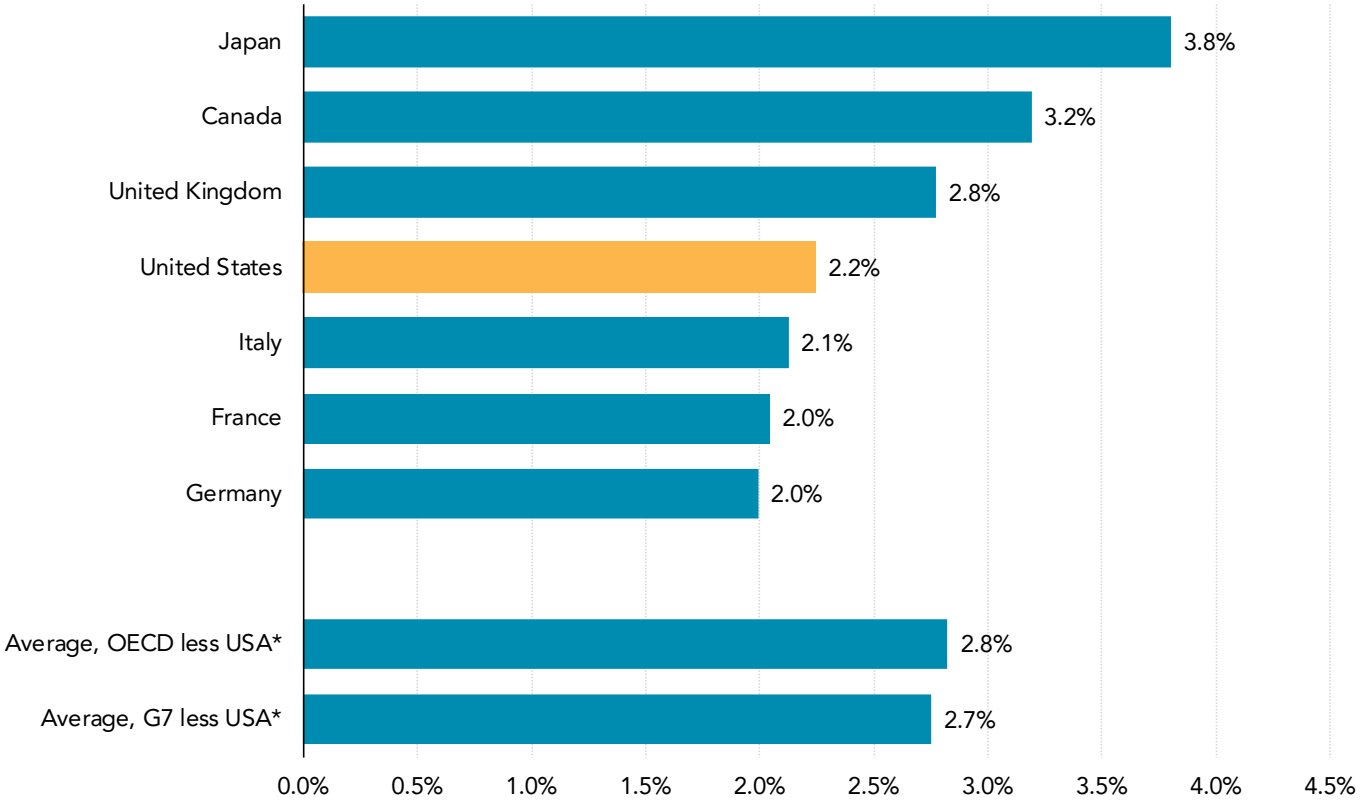
Source: OECD, Table II.1.; Urban-Brookings Tax Policy Center calculations.
Note: Includes taxes of sub-national governments.
* = weighted by GDP

Key Elements of the U.S. Tax System

How do US corporate income tax rates and revenues compare with other countries'?

FIGURE 2

Corporate Tax Revenues as Share of GDP Among Leading Economies
2016



Source: OECD, Table II.1.; Urban-Brookings Tax Policy Center calculations.
Note: Includes taxes of sub-national governments.
* = weighted by GDP

Data Sources

Congressional Budget Office.

OECD (Organisation for Economic Co-operation and Development). Table II.1. "Statutory Corporate Income Tax Rate."

———. "Revenue Statistics 2017."