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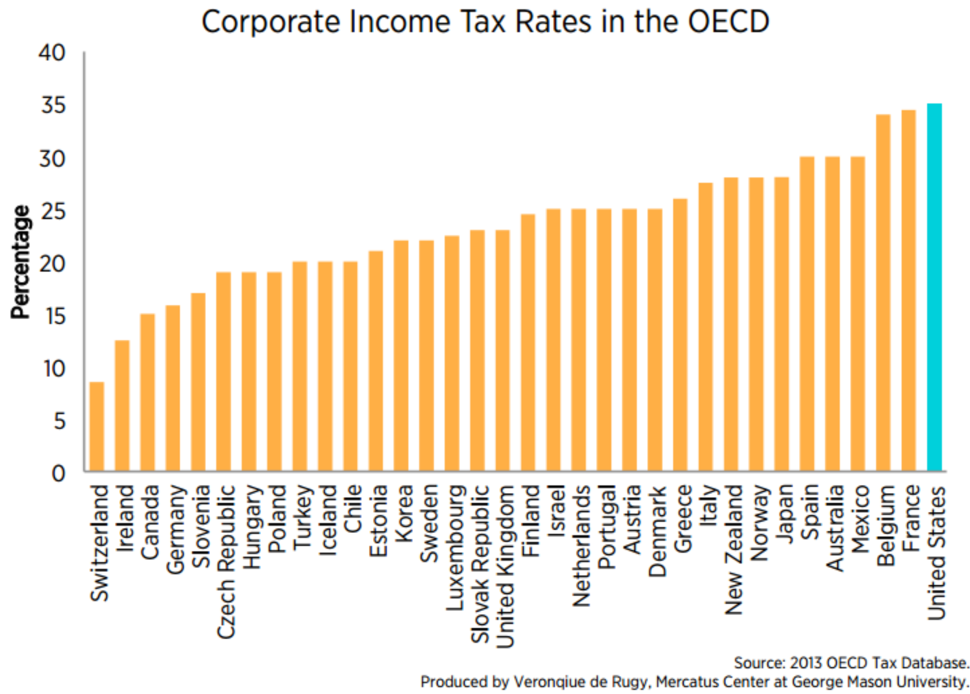
Updated: Corporate Income Tax Rates in the OECD



This week's charts use data from the 2013 Organisation for Economic Co-operation and Development (OECD) Tax Database to update a previous chart on corporate income tax rates among OECD countries. The data show that the U.S still leads the world in high corporate income tax rates.

In 2013, national statutory corporate tax rates among the thirty-four members of the OECD ranged from 8.5 percent in Switzerland to 35 percent in the United States; the same range as in 2011.

Despite having the highest national statutory rate, the United States raises less revenue from its corporate tax than the other members of the OECD on average. In fact, federal corporate income taxes raise little revenue compared with other federal taxes; roughly comprising 10% of total federal tax revenues in 2013.

Corporations, like individuals, can and do use tax breaks to lower their tax burdens and, consequently, the effective tax rate is lower than the statutory top rate.

However, these breaks shouldn't be viewed independently of the corporate tax system. The United States not only imposes high rates, but it also taxes corporations on a worldwide basis: profits made by an American-owned computer plant are subject to American taxes whether the plant is located in Texas or Ireland. In contrast, most major countries do not tax foreign business income. In fact, about half of OECD nations have "territorial" systems that tax firms only on their domestic income.

As Jason Fichtner pointed out during his testimony before the Senate Committee on Finance in January 2012, the combination of high rates, worldwide taxation and a competitive global marketplace makes our corporate tax system extremely punishing—and erodes U.S. competitiveness.

To improve U.S. competitiveness and unleash economic potential, policymakers must restructure the tax code—and particularly the corporate income tax. By lowering the corporate income tax rate and moving to a territorial tax system, the U.S. can move to a nimbler tax system that more competitive globally.

For more information on the problems with the U.S. corporate income tax and some solutions for reform, see:

"Increasing America's Competitiveness by Lowering the Corporate Tax Rate and Simplifying the Code," testimony by Jason Fichtner (2012).

"Why the United States Needs to Restructure the Corporate Income Tax," by Jason Fichtner and Nick Tuszynski (2011).