NRF National Retail Federation

Corporate Tax Rate

Corporate Tax Rate Should Not Be Raised as Economy Recovers From Recession

- As a result of the COVID-19 pandemic, the U.S. economy has suffered from the steepest recession since World War II, and economists predict that it may take years to recover from this downturn.
- After the 2009 recession, it took 5 years for employment to reach pre-recession levels.
- There are 8.5 million fewer people working today than there were prior to the pandemic.
- Raising taxes in a recession is likely to impose a further downturn in growth.
- Raising the corporate tax rate to 28% would once again make the U.S. corporate tax rate among the highest in the industrialized world, which is a disincentive to investment in the United States and would impose further harm to the U.S. economy. The average corporate tax rate in the industrialized world is 23.4%. The average corporate income tax rate for U.S. corporations (state and federal combined) would be 34% under the Biden plan.

Increasing the Corporate Tax Rate Would Be Particularly Harmful to Retailers and Restaurants Trying to Recover from the Pandemic

- The retail industry is a high effective taxpaying industry, utilizing few of the tax incentives or credits in the Internal Revenue Code.
- For those retailers and restaurants that are finally moving out of a loss position caused by the pandemic, a *33.3% increase* in tax on profits will greatly hinder their opportunities to recover. The following are some of the anticipated effects:
  - Retailers will continue to close their least profitable stores. This not only eliminates jobs at those retailers, but also impacts the survival of other stores in those malls.
  - Retailers will eliminate jobs. Many retailers used the tax rate cut of TCJA to increase wages, retirement and other employee benefits. Since businesses cannot reduce these wage levels because the tax rate cut is being rescinded, the only way for struggling businesses to offset the increased cost is to eliminate jobs.
  - Retailers will not be able to invest in new stores and new hiring.
  - Retailers will not be able to invest in new and expanded e-commerce capability to enable them to better compete in post-pandemic shopping trends.
  - Retailers have had to make substantial investments in their stores to maintain the health and safety of employees and customers during the pandemic. Retailers will not be able to invest in more permanent modifications aimed at the health and safety of employees and customers.
  - Raising the corporate tax rate will harm the many retailers that have incurred debt to stay in business during the pandemic, because it will reduce the tax deduction allowed for interest paid on debt.

The National Retail Federation believes that increasing the corporate tax rate would have a negative impact on the economy and should be avoided.