WHAT'S AT STAKE: CORPORATE TAX RATE

94%
of manufacturers want Congress to prevent damaging tax increases

Tax increases would force manufacturers to:

- **73%** Limit capital investments
- **65%** Decrease job creation
- **52%** Reduce R&D Spending

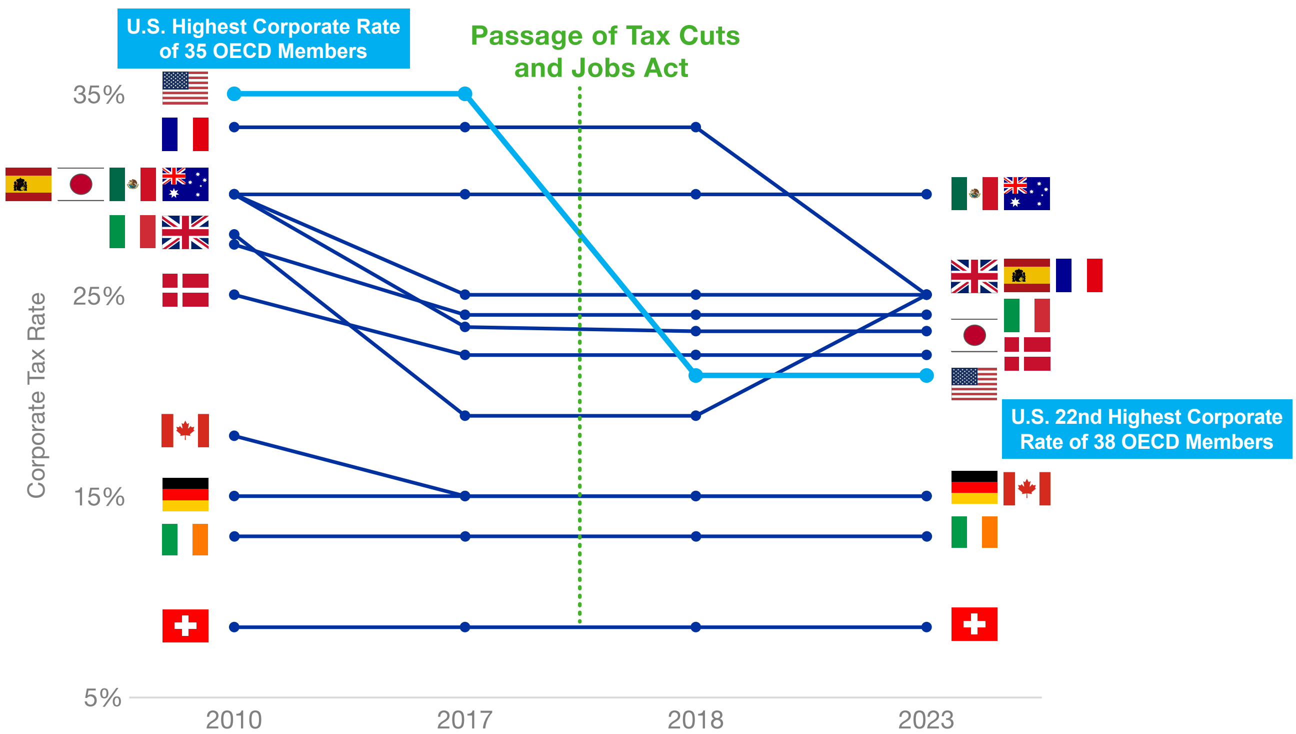
What is the corporate income tax?

A C-corporation is an entity in which the business and its owners are taxed separately.

C-corporation income is first taxed at the entity level (via the corporate income tax) and then again at the individual level when profits are distributed to shareholders (via capital gains taxation). A C-corporation's federal income tax obligations are dictated by the corporate income tax rate.

What was the corporate tax rate prior to tax reform?

Prior to 2017 tax reform, the United States' corporate tax rate was 35%. This was the highest corporate rate in the OECD and the third-highest rate in the entire world. The U.S. was an outlier among our global competitors, maintaining a corporate rate 15 points higher than the OECD average—and there was bipartisan consensus that the 35% rate was preventing manufacturers in America from competing on the world stage.

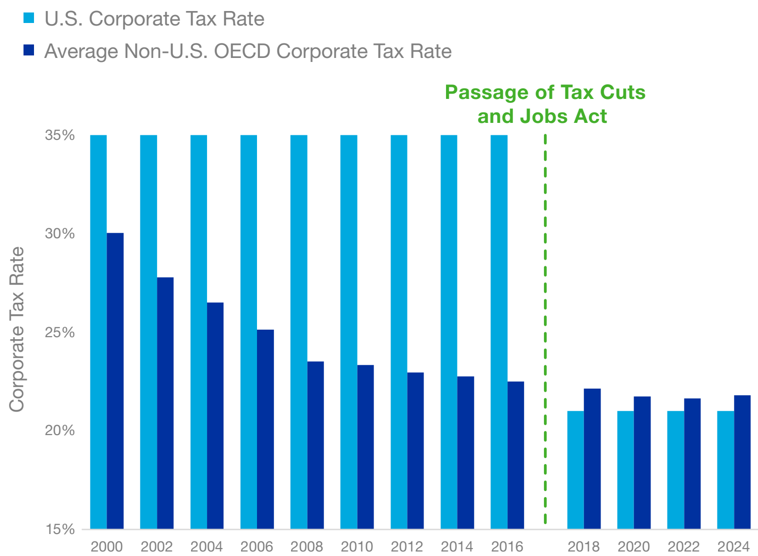


NATIONAL ASSOCIATION OF Manufacturers

How did tax reform make the corporate rate more competitive?

Tax reform lowered the corporate rate from 35% to 21%. Among the 38 countries in the OECD, the U.S. now has the 22nd highest corporate rate—instead of the highest, as was the case prior to tax reform.

Prior to tax reform, America's peers were steadily lowering their corporate rates to out-compete manufacturers in the U.S. The 21% rate realigned the U.S. corporate rate with the average corporate rate elsewhere in the OECD, making the United States a more attractive home for manufacturing investment, job creation and economic growth.



How did a lower corporate rate benefit manufacturers?

Reducing manufacturers' tax burden directly led to an increase in investments, job creation, wage growth and economic expansion. In 2018, the year the 21% corporate rate took effect, manufacturers created more than 260,000 jobs (the best year for job creation in 21 years) and increased wages by 3% (the best year for wage growth in 15 years).

This was because tax reform removed barriers to growth that had been holding manufacturers back: NAM surveys conducted prior to tax reform found that nearly 80% of manufacturers were struggling with unfavorable business conditions like high taxes—a figure that dropped to just 12% following the reduction in the corporate rate.

What's at stake for the corporate rate in 2025?

The 21% corporate rate is not scheduled to expire at the end of 2025, unlike many other tax reform provisions. However, President Biden's FY 2025 budget proposed a 28% corporate rate—which would once again subject manufacturers in the U.S. to one of the highest rates of tax in the developed world. Increasing the corporate tax rate would erase the economic gains manufacturers have made under tax reform, resulting in fewer jobs, lower wages, reduced community investment and less innovation.

What should Congress do to protect manufacturers taxed at the corporate rate?

Manufacturers are calling on Congress to preserve tax reform in its entirety—including the 21% corporate tax rate.

The manufacturing industry simply cannot afford the economic damage associated with a devastating increase in the corporate rate. Instead, Congress should maintain a globally competitive corporate rate—enabling manufacturers to continue leading on the world stage while driving innovation and job creation here at home.