# Increasing the Corporate Tax Rate of the TCJA Would Harm U.S. Competitiveness

American Chemistry Council

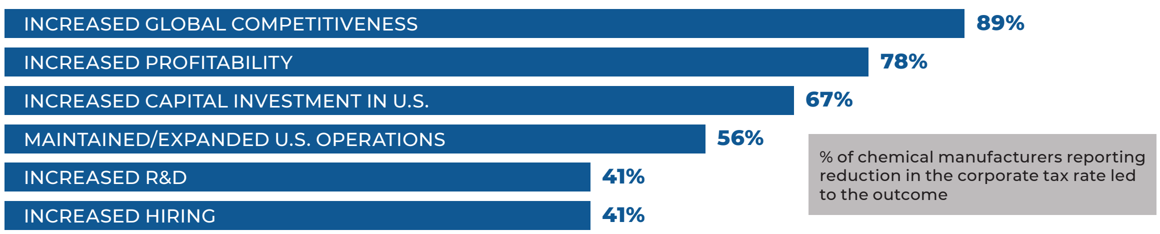
The Tax Cuts and Jobs Act of 2017 (TCJA) reduced tax rates for businesses and individuals. The corporate income tax rate was reduced from a tiered rate of up to 35% to a flat rate of 21%. Before enactment of the TCJA, the U.S. corporate rate was the highest among Organization for Economic Cooperation and Development (OECD) nations. (The OECD average is 24%). The TCJA made the U.S. corporate tax regime competitive.

Some policymakers want to increase the U.S. corporate tax rate to 28%. State and local corporate income taxes add another 6%. This could push the corporate tax rate up toward 34%, making the United States one of the highest in the OECD once again. The higher tax rate would have the effect of reversing the favorable economic effects of the TCJA and reduce incentives to work, save, and invest.

## Survey Findings

The American Chemistry Council (ACC) **conducted a survey of its member companies in June of 2024** to understand the effects of key provisions of the TCJA on their businesses and the likely impacts if these provisions are repealed or allowed to expire.

The reduction in the corporate tax rate from 35% to 21% **positively impacted many chemical manufacturers' ability to competitively product chemicals in the United States.** Survey participants say it led to:




Economic theory and empirical evidence show that a lower corporate tax rate **fosters an improved after-tax return on capital, more investment in productivity-enhancing technologies, and stronger economic growth.**

"Any increase in the income tax rate from the current level of 21% **would have an unfavorable impact on business operations, investment, and expansion in the U.S. market."**

"The reduction in the federal corporate tax rate from 35% to 21% was instrumental in preserving the competitiveness of one of our key business units against the onslaught of imports from Asia. **The tax rate should not be increased again."**

## Importance of the 21% Corporate Rate to ACC Members

**89%** of companies say the 21% corporate tax rate **has led to increased global competitiveness** of their company, while 78% say the failure to keep the 21% rate would lead to decreased competitiveness of their company.

**67%** of companies say the 21% corporate tax rate **has led to increased capital investment in the U.S.** by their company, while 74% say the failure to keep the 21% rate would reduce capital investment in the U.S. by their company.

**56%** of companies say the 21% corporate tax rate **has led to their company maintaining/expanding U.S. operations**, while 41% say the failure to keep the 21% rate would lead to reduced/offshored U.S. operations by their company.

**41%** of companies say the 21% corporate tax rate **has led to increased hiring by their company,** while 48% said the failure to keep the 21% rate would lead to reduced hiring by their company.

**56%** of companies say the failure to keep the 21% rate **would lead to reduced investment in R&D by their company**.

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