

Opinions Differ on the Right Approach to Corporate Tax Reform

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Although many Americans may believe the federal tax system is broken and needs an overhaul, there is less agreement about what tax reform should look like. That appears to be the case in the corporate world, where, according to analysis by Martin Sullivan, there are two coalitions with opposing views on corporate tax reform.

Sullivan writes that the first group consists mostly of low-tech companies that keep most of their profits in the United States and pay close to the 35 percent tax rate. Those companies would like to see the code cleaned up and the rate lowered. The second group is mostly made up of high-tech companies that take advantage of loopholes and tax havens and pay a lot less than a 35 percent rate. That group wants to extend rules that allow them to shift their profits to low-tax countries.

Sullivan says that although there is no open dispute between the two groups, it could happen. The differing opinions on how to reform the corporate tax system are also causing headaches for the U.S. Chamber of Commerce and other business coalitions that have members in both camps, he says (p. 1481).

And what do ordinary Americans think about corporate tax reform? According to an article by Joseph Thorndike, it's not an issue that's disturbing their sleep. When asked by pollsters for their opinions on the double taxation of corporate income, respondents historically have favored tax cuts for individuals and families over dividend tax relief. Thorndike concludes that if corporate tax reform does take place, it will not be because the public demands it (p. 1492).

Andrew Pike also addresses corporate tax rates in his special report. There is a belief that nominal U.S. corporate tax rates are among the highest of OECD countries, but Pike isn't buying it, arguing that the United States actually imposes a relatively low nominal tax rate on corporations compared with other OECD countries. To back that up, Pike points out that corporations and other businesses in many OECD countries pay VAT, which he says represents an additional tax imposed at the VAT rate on corporate profits (p. 1533).

Spring Fashion Preview

Lee Sheppard is back with this spring's hottest fashion tips. What's the deal with nerd shirts? Are your stilettos still in? Turn to p. 1487 to find out and to read her analysis on subpart J, the foreign currency rules, which she says desperately need reform.

Tax Apps

For years, tax professionals attending conferences have been given books of meeting materials roughly the size of Tolstoy's *War and Peace*. But the heavy tomes may be becoming a thing of the past as conference participants increasingly use smartphones and tablet devices to review meeting materials and other documents.

And conference organizers like the American Bar Association Section of Taxation are making it easier to view those materials by offering free applications containing lists of attendees, schedules, and other documents. Practitioners at the recent ABA meeting in San Diego raved about various apps. Also, Tax Analysts is developing apps for some of its daily products, including *Tax Notes Today* (p. 1479).

News From Capitol Hill

The Senate last week approved a highway bill that includes several revenue raisers, including a limit on the tax-free receipt of securities in a spinoff and a provision that would allow the IRS to impose a levy of up to 100 percent on payments to Medicare service providers that are delinquent on their taxes. The Senate rejected almost all the tax amendments that were offered; the lone amendment that was adopted targets tax havens. The legislation's next stop is the House (p. 1494).

Longtime Washington pundits can be seen on talk shows lamenting the heightened partisanship in Congress in recent years, and there has been speculation that the animosity could infect the Senate Finance Committee if more partisan senators are appointed to the panel after the November elections. But tax and legislative experts who spoke with *Tax Notes* were skeptical that the committee would become more divided. They say Finance Committee members tend to be more collaborative in developing tax legislation despite their political differences and are more likely to seek a balance in legislative affairs (p. 1496).

Commentary

Should the manufacturing sector get special tax breaks? Bruce Bartlett, a former deputy assistant

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secretary for economic policy at the Treasury Department, doesn't think so. He says tilting the tax code to favor manufacturing would be bad for tax reform, which he says needs a level playing field. A better idea for improving American business competitiveness would be the institution of a VAT, he says (p. 1561).

With the presidential election in full gear, public opinion polls showing the strengths of the different candidates are plentiful. Pollsters also conduct surveys about tax policy, and respondents sometimes answer even if they don't understand the question. David Roberts writes on p. 1556 that building tax policy on such responses could be harmful. He says surveys asking people for their opinions about various tax measures would be more accurate and useful if they provided respondents with more details about the proposals, including possible positive and negative outcomes.

When your driver's license is about to expire, it's usually not a big deal to get it renewed. Not so with

expiring tax provisions. Almost every year Congress has to decide whether to renew the provisions while taxpayers and practitioners deal with the uncertainty. John Harrington laments the uncertainty, which he says is getting worse (p. 1549).

In this week's 40th anniversary retrospective, we take a trip back in time to February 15, 1982. That issue of *Tax Notes* included an article by Emil M. Sunley, then with Deloitte Haskins & Sells. In his article, Sunley addressed President Reagan's proposal for an alternative minimum tax for corporations. Sunley discussed design issues to be addressed and how a minimum tax could have affected then-newly enacted leasing provisions (p. 1529).

In Woodcraft, Robert Wood examines whether the failure by a defendant in a legal dispute to issue Forms 1099 for settlement payments precludes a deduction (p. 1565). ■

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