

 **LETTER TO THE EDITOR**
CORPORATE TAX
REFORM: Reject
complexity and seek
an easy solution!



By Stephen L. Bakke  August 19, 2014

Here's what provoked me:

I read two conflicting editorials that took opposite approaches to accomplishing corporate tax reform and eliminating "inversions," avoiding U.S. taxes by becoming a foreign corporation. I know neither alternative will fly in the current political environment. I think there's a solution, at least for the short term, that would be a move in the right direction and would have significant economic impact. My response was quick in coming and hopefully simple to understand.

Here's my response:

Corporate Tax Reform: Reject complexity and seek an easy solution!

In the "dueling editorials" on 8-18-14, one side argues for tax reform by closing tax loopholes and lowering corporate tax rates. This favors limited action by the Administration and apparently a "revenue neutral" approach. Regarding the practice of "inversion," avoiding U.S. taxes by becoming a foreign corporation, the editorial supports creating a little bit of "shame."



The opposing view favors aggressive Administration action to avert "inversion." This would consider inversion to be inherently unpatriotic and favors aggressive tax reform which raises the "effective" corporate tax rate by eliminating loopholes without lowering rates. This would be a "revenue positive" approach.

It's a standoff and no progress can be expected from these positions.

In the short term consider this compromise – significant domestic investment would ensue:

- Permit corporations to repatriate earnings into the U.S. and eliminate the effect of double taxation.
- Eliminate double taxation on corporate earnings by permitting tax deductions for distributions (dividends) of previously taxed corporate income.
- Remove tax loopholes – even without lowering rates.

Isn't it interesting that many citizens take exception to corporations having "rights" such as freedom of speech (political expression) and religion (Hobby Lobby), but still insist that corporations display patriotism like any citizen?