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104 DER G-7

Tax Reform

Revenue-Neutral Corporate Tax Proposals Will Boost U.S. Economy, CEA's Krueger Says

By Rick Mitchell

PARIS—President Obama's proposals for corporate tax reform can be done in a revenue-neutral way and would be good for the U.S. economy, White House Council of Economic Advisers Chairman Alan Krueger told BNA May 29.

Krueger, who recently announced he will be leaving the White House in August to return to his post as a professor at Princeton University, said the president's tax reform proposals include imposing a minimum global tax to ensure that companies do not shift profits to low-tax countries, as well as lowering the overall statutory tax rate to encourage more investment in the United States.

Krueger said there is "absolutely" room to improve the U.S. corporate tax system, which is "very inefficient," with relatively high statutory rates, very low effective rates, very low average rates, and relatively little revenues.

Obama has suggested that the U.S. corporate tax rate could be cut from 35 percent to as low as 28 percent by closing "loopholes" in the tax code and eliminating many of the temporary business tax incentives that exist (35 DTR GG-1, 2/23/12).

In addition, Krueger said the administration feels that lawmakers should tackle a comprehensive tax reform that includes both corporate and individual tax changes, he said.

"I think this makes sense [because] there are a lot of corporations, companies, deciding between filing under the individual tax code or the corporate tax code and you want to make sure that you take that into account in tax reform," Krueger said.

He noted Obama has also proposed replacing the budget sequester's automatic across-the-board spending cuts with a more balanced approach that closes tax loopholes for the wealthy.

"If you look at the U.S. budget today and the forecasts for the next three or four years, we are in a much stronger position. But one of the reasons why the deficit is coming down is because of the misguided sequester," Krueger said.

As for budget cuts, he said "smart, targeted cuts" are the way to go, in particular to "entitlements, which are the main driver of our long-term deficits."

Such cuts would allow investing, such as in infrastructure and jobs to improve competitiveness, said Krueger, adding, "I think that's a better strategy than sticking with the sequester."

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ISSN 1523-567X