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U.S. corporate tax rate isn't threat to business, but crumbling infrastructure is

By Scott Klinger

Our country's once-robust infrastructure has played a vital role in the success of our economy.

Roads, bridges, and transportation systems are the heart and blood of commerce and give consumers easy access to goods and services. Our public schools produce the next generation of workers. Infrastructure has never been a partisan issue in this country; everyone knows it is essential.

Unfortunately, paying for these investments seems to have become a partisan fault line. The need is pressing: funding for highway construction is set to run out. Congress is scrambling to find $10 billion to keep road repair crews on the job through the fall. It shouldn't be hard to find $10 billion. Congress could look to the loopholes that allow corporations to shift profits offshore to tax haven countries.

This costs the U.S. Treasury up to $90 billion a year. Just this month, the conservative governments in Australia and the U.K. alleged Apple, Microsoft, and Google are skirting tax laws when they shift profits offshore, and the countries promised to crack down on this practice. But our Congress just repeats the tired rhetoric of corporate CEOs that the formal U.S. tax rate of 35 percent is too high and is making our firms uncompetitive.

They fail to mention that the average Fortune 500 company pays less than 20 percent, after deductions, and many prosperous firms pay little or nothing in federal income taxes - such as General Electric, Boeing and Verizon.

There's a lot at stake here.

- Every year, there are more than 240,000 water main leaks in America - more than 650 a day - meaning one-sixth of the water that leaves a pumping station never reaches a consumer. These ruptures force traffic to detour and businesses to close.
- One in nine American bridges is deemed deficient and in need of immediate repair or replacement. Most have weight restrictions that force trucks to take detours, costing companies money and delays.
- Nearly half of the nation's schools were built 40 to 60 years ago. Many of these schools have leaky roofs, inefficient heating, and poor ventilation that make for a poor learning environment.

All of these infrastructure failures cost businesses and families time and money. Surely that affects competitiveness, too.

The CEOs who led American industry after World War II - when we were building the interstate highway system - advanced telecommunications systems, and investing in basic research and development - recognized that public infrastructure was good for businesses. That generation understood that public investments were good for commerce and helped build a strong middle class to buy their products and services.

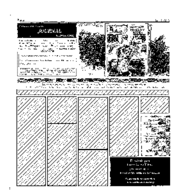
So that generation paid its taxes, and corporate taxes contributed a third of all federal revenue. Today, corporate taxes provide only about a tenth of the federal government's revenue. Today's CEOs regard taxes as a cost to be dodged through whatever loophole is available.

Overall infrastructure spending in the U.S. is at its lowest levels since World War II, even though our population is twice as large today as it was then. Civil engineers tell us it will cost $3.6 trillion by 2020 to just maintain the safety of our current infrastructure.

There are more than 5,700,000 businesses with employees in America. Just 26 of them hold more than half of all the U.S. corporate profits held offshore that have not yet been taxed here. If they paid up, we would have enough to repair all of the nation's deficient wastewater systems, with enough left over to replace all dams in danger of failing, according to Burning Our Bridges, a report I co-authored with Sarah Anderson, published by the Center for Effective Government and the Institute for Policy Studies.

It's time for Congress to require corporations to pay the taxes they owe on the massive profits they are accumulating offshore. America's corporations can pay for the public services and investments on which we all depend, and we'll be a safer, stronger nation for it.

(Note: Scott Klinger is director of revenue and spending policies at the Center for Effective Government in Washington, D.C.)



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