

## U.S. DEPARTMENT OF THE TREASURY

## Press Center



## Administration Releases President's Framework for Business Tax Reform to Enhance America's Competitiveness

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*Framework Would Simplify the Tax Code, Eliminate Dozens of Tax Loopholes and Subsidies, and Incentivize Job Creation, Investment at Home*

**WASHINGTON** – The U.S. Department of the Treasury today released the President's framework for reforming the U.S. business tax system, which would enhance American competitiveness by simplifying the tax code and eliminating dozens of tax loopholes and subsidies, incentivizing job creation and investment here at home and lowering the business rate while broadening the tax base.

"In order to make us more competitive and create jobs here at home, we must reform our corporate tax code," said Treasury Secretary Tim Geithner. "The President's framework would boost growth and provide American companies with incentives to invest in the U.S. while simplifying and cutting taxes for our small businesses."

Under the current tax system, the United States will soon have the highest statutory corporate tax rate among developed countries, within a system that features a large number of tax expenditures for special interests. This puts American businesses—especially those in areas like manufacturing that are subject to more intense international competition—at a disadvantage. And this system is also unnecessarily complicated for America's small businesses.

For these reasons, the current business tax system is uncompetitive, unfair, and inefficient—distorting choices about where to produce, what to invest in, how to finance a business, and how to incorporate. As a result, the U.S. business tax system does too little to encourage job creation and investment in the United States and creates too many opportunities that encourage shifting production and profits overseas.

The President's framework for reform seeks to address those deficiencies in a way that is fiscally responsible. The details put forward today also make clear that the Administration is committed to working with experts, stakeholders and lawmakers on a bipartisan basis to enact tax reform, including business tax reform that improves the tax treatment of a range of businesses from large corporations to small businesses and does so with fewer tax expenditures, less complexity and lower rates without adding to the deficit.

This report describes the current state of the U.S. business tax system and lays out a framework for reform that includes five major elements:

1. **Eliminate dozens of tax loopholes and subsidies, broaden the base and cut the corporate tax rate to spur growth in America:** The framework eliminates dozens of different tax expenditures and fundamentally reforms the business tax base to reduce distortions that hurt productivity and growth. It reinvests these savings to lower the corporate tax rate to 28 percent, putting the United States in line with major competitor countries and encouraging greater investment.
2. **Strengthen American manufacturing and innovation:** The framework would refocus the manufacturing deduction and use the savings to reduce the effective rate on manufacturing to no more than 25 percent, while encouraging greater research and development and the production of clean energy.
3. **Strengthen the international tax system, including establishing a new minimum tax on foreign earnings, to encourage domestic investment:** Our tax system should not give companies an incentive to locate production overseas or engage in accounting games to shift profits abroad, eroding the U.S. tax base. Introducing the principle of a minimum tax on foreign earnings would help address these problems and discourage a global race to the bottom in tax rates.
4. **Simplify and cut taxes for America's small businesses:** Tax reform should make tax filing simpler for small businesses and entrepreneurs so that they can focus on growing their businesses rather than filling out tax returns.
5. **Restore fiscal responsibility and not add a dime to the deficit:** Business tax reform should be fully paid for and lead to greater fiscal responsibility than our current business tax system by either eliminating or making permanent and fully paying for temporary tax provisions now in the tax code.

To view the President's framework for reforming business taxation, please visit [this link](#) 

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