

Congress of the United States
JOINT COMMITTEE ON TAXATION
Washington, DC 20515-6453

August 3, 2021

MEMORANDUM

TO:

[REDACTED]

FROM:

Thomas A. Barthold 

SUBJECT:

Revenue Estimates and Distributional Analyses

This memorandum in response to your request of March 29, 2021, for revenue estimates and distributional analyses of options to increase the corporate tax rate. Corporate taxable income is subject to a flat 21-percent tax rate. You asked for revenue estimates and distributional analyses of three options:

- (1) Increase the corporate tax rate from 21 percent to 24 percent,
- (2) Increase the corporate tax rate from 21 percent to 25 percent, and
- (3) Increase the corporate tax rate from 21 percent to 28 percent.

Table 1 shows the estimated effect on Federal fiscal year budget receipts assuming each option is effective for taxable years beginning after December 31, 2021.

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Table 1

<u>Item</u>	<u>Fiscal Years</u> <u>[Billions of Dollars]</u>										
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2022-31</u>
Increase corporate tax rate to 24%....	22.0	26.5	27.8	28.6	29.5	31.8	33.0	33.3	33.0	33.5	298.9
Increase corporate tax rate to 25%....	29.2	36.2	37.6	38.7	40.6	44.1	45.7	46.0	45.6	46.0	409.6
Increase corporate tax rate to 28%....	50.7	64.7	65.7	67.2	69.0	74.3	77.2	77.6	77.3	77.7	701.4

NOTE: Details may not add to totals due to rounding.

Table 2 shows the estimated distributional effect of increasing the corporate tax rate from 21 percent to 24 percent for calendar years 2022 and 2031. You will notice in Table 2 (and Tables 3 and 4) that the number of taxpayers we report for 2022 is substantially lower than the number of taxpayers we report for 2031. This is a consequence of the methodology we employ to distribute the incidence of the corporate income tax to individual taxpayers. I refer you to our explanatory document, JCX-14-13, *Modeling the Distribution of Taxes on Business Income*. Our incidence assumption, consistent with much of the economics literature, is that in the very short run, 2022 in this case, the incidence of the corporate tax is borne entirely by owners of capital. It is only in the longer run that our incidence assumption assigns some of the burden of the corporate tax to those taxpayers who earn labor income in addition to owners of capital.

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Table 2
Effect of 24-Percent Corporate Tax Rate

Income Category	2022		2031	
	Returns (Thousands)	Dollars (Millions)	Returns (Thousands)	Dollars (Millions)
\$0 - \$10,000.....	2,430	29	10,051	61
\$10,000 - \$20,000.....	3,209	44	14,362	165
\$20,000 - \$30,000.....	5,757	73	15,844	297
\$30,000 - \$40,000.....	7,496	127	14,556	377
\$40,000 - \$50,000.....	8,037	178	13,149	469
\$50,000 - \$75,000.....	19,660	682	28,916	1,551
\$75,000 - \$100,000.....	14,985	916	20,525	1,814
\$100,000 - \$200,000.....	30,879	3,935	37,363	6,997
\$200,000 - \$500,000.....	12,840	5,083	14,610	7,772
\$500,000 - \$1,000,000....	1,705	2,171	1,901	3,133
\$1,000,000 and above....	819	6,146	805	6,788
TOTAL.....	107,817	19,384	172,081	29,424

NOTE: Details may not add to totals due to rounding.

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Table 3 shows the estimated distributional effect of increasing the corporate tax rate from 21 percent to 25 percent for calendar years 2022 and 2031.

Table 3
Effect of 25-Percent Corporate Tax Rate

Income Category	2022		2031	
	Returns (Thousands)	Dollars (Millions)	Returns (Thousands)	Dollars (Millions)
\$0 -\$10,000.....	2,430	42	10,051	83
\$10,000 -\$20,000.....	3,209	61	14,362	226
\$20,000 -\$30,000.....	5,757	101	15,844	407
\$30,000 -\$40,000.....	7,496	178	14,556	518
\$40,000 - \$50,000.....	8,037	251	13,149	644
\$50,000 - \$75,000.....	19,660	965	28,916	2,128
\$75,000 -\$100,000.....	14,985	1,302	20,525	2,489
\$100,000 -\$200,000.....	30,879	5,607	37,363	9,602
\$200,000 -\$500,000.....	12,840	7,263	14,610	10,666
\$500,000 -\$1,000,000....	1,705	3,107	1,901	4,300
\$1,000,000 and above....	819	8,811	805	9,315
TOTAL.....	107,817	27,687	172,081	40,379

NOTE: Details may not add to totals due to rounding.

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Table 4 shows the estimated distributional effect of increasing the corporate tax rate from 21 percent to 28 percent for calendar years 2022 and 2031.

Table 4
Effect of 28-Percent Corporate Tax Rate

Income Category	2022		2031	
	Returns (Thousands)	Dollars (Millions)	Returns (Thousands)	Dollars (Millions)
\$0 - \$10,000.....	2,430	81	10,051	140
\$10,000 - \$20,000.....	3,209	121	14,362	381
\$20,000 - \$30,000.....	5,757	202	15,844	686
\$30,000 - \$40,000.....	7,496	351	14,556	872
\$40,000 - \$50,000.....	8,037	491	13,149	1,084
\$50,000 - \$75,000.....	19,660	1,872	28,916	3,585
\$75,000 - \$100,000.....	14,985	2,507	20,525	4,192
\$100,000 - \$200,000.....	30,879	10,745	37,363	16,170
\$200,000 - \$500,000.....	12,840	13,851	14,610	17,963
\$500,000 - \$1,000,000....	1,705	5,908	1,901	7,241
\$1,000,000 and above....	819	16,708	805	15,688
TOTAL.....	107,817	52,836	172,081	68,001

NOTE: Details may not add to totals due to rounding.

For Table 2, Table 3, and Table 4, the income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] workers' compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2021 levels. For a discussion of issues related to the distribution of the tax burden on business income see Joint Committee on Taxation, *Modeling the Distribution of Taxes on Business Income*, (JCX-14-13), October 16, 2013.