



For Immediate Release

## **Study: Biden's Corporate Tax Plan May Result in Lower Wages, Outsourcing of Jobs**

DALLAS (Oct. 15, 2020) – A new study of the tax plan promoted by Presidential candidate Joe Biden says it's call for a significant hike in corporate income taxes will likely reduce wages and prompt companies to offshore jobs.

"We used to have one of the highest corporate tax rates in the world," says Laurence Kotlikoff, a Boston University professor whose work influenced the tax reform bill passed by Congress almost three years ago. "High corporate taxes drive capital offshore and that's bad for American workers. With the lower rates we have now, we are more competitive."

Biden is proposing to undo half of the 2017 corporate tax cuts, raising the top rate from 21 percent to 28 percent. During the Democratic primary, Biden's running mate, Sen. Kamala Harris, proposed to repeal the previous corporate tax cuts entirely – pushing the top rate back to its original 35 percent.

Kotlikoff predicts that the Biden corporate tax plan will lower future wages by 2 percent per year – or a \$1,000 annual loss for a worker earning \$50,000. Were the Harris plan adopted, the results would be much worse.

"We live in an international economy where capital can go where it is most welcome," says Kotlikoff. "The best way to help the American worker is to make it as attractive as possible to invest here. More investment makes workers more productive, which leads to higher wages."

The Biden plan also creates a new, 12.4 percent Social Security tax on all wages above \$400,000. However, that income threshold is not indexed for inflation. Eventually, it will hit all families, even if they have had no increase in real income.

Take a two earner 20-year-old couple earning \$100,000. With a 2 percent inflation rate and 2 percent productivity growth, that couple will be paying the Biden payroll tax sometime in their 50's. Although the Biden plan is aimed at the wealthiest households, it doesn't treat them all equally. Once people retire, or if they can avoid wage income altogether, they no longer pay the new payroll tax – no matter how rich they are.

“High-income people in their 30s get hit with a new burden that is almost six times the burden imposed on people in their 60s,” says Kotlikoff. “Under this plan, it’s better to be old rich than to be young rich.”

The Biden plan also restores the previous income tax rates for high-income households. For the top 1 percent of taxpayers, all the Biden taxes combined will create a lifetime marginal tax rate of 62 percent. Blue state residents with high state income tax rates could face up to a 70 percent rate.

“We would be in danger of returning to the tax-shelter environment of the 60s and 70s – when people were encouraged to spend time and energy avoiding taxes instead of producing goods and services,” says Kotlikoff. “This is the very thing presidents John Kennedy and Ronald Reagan wanted to stop.”

On the positive side, there are some progressive features of the Biden plan that Kotlikoff likes. For example, it provides a fixed additional benefit for all seniors who live beyond age 78. This supplemental benefit is a much larger share of Social Security benefits for the poor. The plan brings in desperately needed additional revenues into Social Security's coffers. But it still leaves Social Security absolutely broke over the long-term.

Kotlikoff’s models have been used by White House economists and his findings have been discussed by the *Wall Street Journal* on their editorial page. Kotlikoff's studies are posted at [kotlikoff.net](http://kotlikoff.net) and appear as National Bureau of Economic Research working papers site as well as publications in scholarly journals.

This [Goodman Institute for Public Policy Research](#) study was funded by a grant from [Ryan, LLC](#), the largest firm in the world dedicated exclusively to business taxes.

The review of the Biden tax plan can be found here:  
<http://www.goodmaninstitute.org/economic-analysis-of-the-biden-tax-plan/>

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