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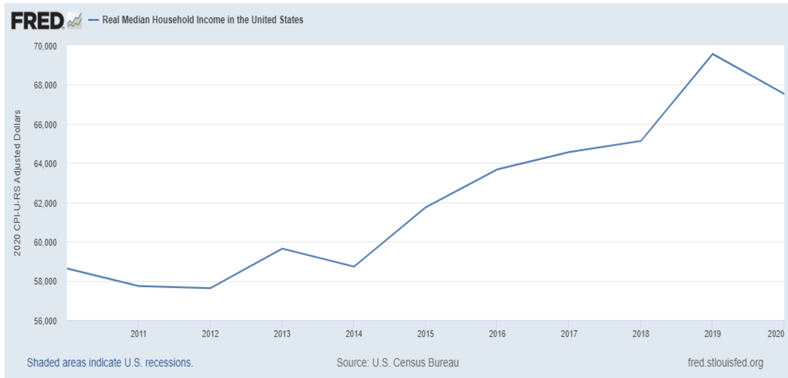
For this paper, the topic being researched is current and former corporate tax plans among different federal administrations, and their effects on the United States' GDP and economy as a whole. I believe this is a very interesting topic as much of the presidential administration's plans and bills are overlooked by citizens not involved in the management of a large corporation. Discussed in this research will be the similarities and differences, as well as the positives and negatives of the recent proposed and passed legislation regarding corporate tax and corporate laws. The main similarities and differences exist among different political beliefs and different parties in control of the United States government. Proposed budgets have many effects on corporations, and on the country as a whole.

Starting off, we have the proposed 2022 budget by the Biden administration. First, the article by Alan Granwell gives a brief overview of the budget.

"The Biden Administration on May 28, 2021, released its fiscal year (FY) 2022 budget. The $6 trillion budget, the largest since World War II, focuses on rebuilding the nation's aged infrastructure, augmenting the social safety net and combatting income inequality. The theme is to grow the U.S. economy from the bottom up and middle out, and not from the top down."

The proposed budget includes an extremely important impact on corporations. The Tax Cuts and Jobs Act (TCJA) of 2017 reduced the federal corporate income tax rate to 21 percent from 35 percent.A recent review of the economic history of the TCJA showed that the law succeeded at creating jobs, raising wages, allowing new investment, and increasing the size of the economy (Dickerson). This shows how drastic every detail is for corporations and how they affect the economy. Without corporate taxes and laws, we would have little to no economy. The proposed legislation would increase corporate income tax from 21 percent to 28 percent (Li). According to Huaqun Li, an economist from Tax Foundation, this tax spike would have the largest negative impact on long-run GDP, presumably due to fewer corporations choosing to operate in the United States under the new tax rates. A large portion of the proposition includes money to be used to improve infrastructure. This would slightly help offset the loss in GDP. According to The New York Times, by 2024, debt as a share of the economy would rise to its highest level in American history, eclipsing a World War II-era record. Another effect on corporations is a 15 percent minimum tax on worldwide book income for corporations with income in excess of $2 billion (Granwell). This comes after no previous provision like this new one. In an attempt to not scare away corporations, the budget includes a new 10 percent business credit for eligible expenses, as long as the corporation demonstrates U.S. job creation (Granwell). This law would incentivize onshoring, keeping businesses on U.S. soil. In general, the proposed budget would include many new or changing laws for corporations. Corporate tax in 2022 could look very different, costing and helping corporations do business in the United States.

Next, we have the corporate tax laws put into place by the previous administration, the Trump administration. As previously mentioned, the Trump administration signed the Tax Cuts and Jobs Act(TCJA) in 2017, which lowered the federal corporate income tax rate from the previous 35 percent down to 21 percent. This was a huge tax break for corporations, and helped them a lot as their income taxes were now cut by almost fifty percent. The 40 percent



tax cuts for corporations was said to increase the average household income in the United States by $4,000. In the graph from FRED, it shows that the average U.S. household income increased during that time from $64,557 in 2017, to $65,127 in 2018, and to $69,560 in 2019. The TCJA added a new tax credit for employers that offer paid family and medical leave to their employees. The credit is a percentage of wages (as determined for Federal Unemployment Tax Act (FUTA) purposes and without regard to the $7,000 FUTA wage limitation) paid to a qualifying employee while on family and medical leave for up to 12 weeks per taxable year. The percentage can range from 12.5% to 25%, depending on the percentage of wages paid during the leave (IRS). This aspect of the Tax Cuts and Jobs Act greatly helps corporations. It gives them a better ability to pay their employees on family or medical leave, which improves their employees' organizational commitment, job performance, and emotional intelligence.

Most, if not all of these little details go unnoticed by the public eye. Included in these budgets are very technical details, which corporations must recognize. For example, "An important consideration about a minimum tax on book income is how and by whom book income is defined. While taxable income is defined by Congress in law, the "generally accepted accounting principles" for reporting financial statements are set by a private nonprofit, the Financial Accounting Standards Board (FASB)" (Dickerson). This quote shows how something as small as accounting principles can influence bigger portions of these large political plans. Even though the examples given are only a small portion of both tax plans and their effects on corporations, it gives an idea to the importance of them. First, corporations tend to have strong political beliefs, especially in these last two cases and sets of laws. Under Biden's proposed plan, the main focus is the increase in corporate income tax, which the corporations do not like, for obvious reasons. However, both plans include positives and negatives for corporations. Included in the 2022 proposed budget is an incentive for corporations to continue business in the U.S. Corporations are provided a credit to expenses for onshoring, and the bill includes $1.7 trillion dollars for upgrades to the United States infrastructure, making life and business better as a whole in the country. Improved infrastructure is a large component towards attracting businesses and corporations. Without infrastructure, it makes it nearly impossible to attract a corporation and difficult for that corporation to operate compared to an area with better infrastructure. In Trump's Tax Cuts and Jobs Act of 2017, was included a major tax cut for corporations from the previous 35 percent down to the new 21 percent. For obvious reasons, corporations loved it. Many budgets or any type of law that involves corporate America is crucial for both corporations and political parties. Sometimes, political parties may adjust their laws and points of view for the benefit of certain sectors of corporations, in order to look better in the eyes of the corporations or the public. Although I won't get into any controversial topics or take any sides, the corporations can be influenced a lot by politics. For the main reasons of corporate tax rate, the corporations favored the plans of the right, as the conservative plan was more beneficial to the business world. For much of history, this trend is true and Corporate America favors the Republican Party.

However, other political issues that have the corporations and the Republican party's hands tied may force each other to drift away. In my opinion, the key to a successful plan would make the happiness of the corporations the primary focus. With all the money and influence they have in the markets and social lives, it is imperative that they have a good relationship and understanding of the U.S. government and the mutual needs of the United States economy.

The everyday teenager, construction worker, or just a normal citizen may not recognize what the importance of every detail is. As mentioned above, details as small as accounting principles and how a stand could look to voters, can affect how a corporation and a political party act. We see everyday news and articles come out, and how they swing the economy, shown in the markets. Every detail matters when discussing taxes, Corporate America, and the United States government. Corporate America and its relations with the US government is crucial for having a strong and stable economy. Tax plans always fluctuate between administrations, political parties, and by the specific person. What remains the same is that each side will always have to give up something. I believe that this topic should be very important to voters and that the public should know the details of who and what they are voting for.

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