



Congress Pursues Bipartisan Measures to Stimulate Growth

Members of Congress seem to have found one issue on which the support is bipartisan: lowering corporate tax rates in order to stimulate the economy and help create jobs. Democratic and Republican strategists report that the two parties are working together to advance such an agenda. Politico reports:

Treasury Secretary Timothy Geithner plans to ignite the debate by unveiling a white paper that advocates lowering the top corporate tax rate from the current 35 percent to less than 30 percent and as low as 26 percent, according to aides. The proposal is likely to fall between 26 and 28 percent.



One senior administration official notes the benefits of reducing the corporate tax rate: This would send a reassuring signal to the economy, and is something both parties should support in theory.

In order to pay for the tax decrease, officials will need to close loopholes and slice exemptions, most notably the tax deduction for domestic manufacturing and accelerated depreciation for capital equipment.

The proposal is currently enjoying bipartisan support. An aide to a Senate Democrat has called corporate tax reform viable, but only as some type of grand bargain that includes the rest of the tax code and potentially entitlement reform and spending cuts. He added, There is bipartisan support for corporate tax reform, but its the low-hanging fruit. Theyre going to use it as a lure or incentive to tackle the harder problems. Its the bunny that runs out in front and gets all the dogs racing.

Likewise, House Budget Committee Chairman Paul Ryan included corporate tax reform in his budget, which has been dubbed GOPs fiscal blueprint.

Geithner has already indicated that he will help navigate the negotiations for the proposal and has already begun the process by hosting a number of closed-door meetings with chief executive officers, labor unions, and liberal and conservative think-tanks. Likewise, Jason Furman, deputy director of the National Economic Council, has aided in the campaign effort.

While some aides predict the corporate tax reform proposal to fail as a stand-alone bill, some contend that it may find its way into a deal for the 2012 budget. Minimal time prevents corporate tax reform to enter into negotiations on the tax ceiling debate.

This wont be like healthcare, where you put out specific ideas people have to take or leave, explained



Written by [Raven Clabough](#) on May 4, 2011

on WH official. Well be more than willing to make trade-offs to look at alternatives that lower the rates and broaden the base.

A top business analyst asserts that negotiating corporate tax reform should be the easiest piece of an otherwise difficult fiscal debate because you have people in both parties in the business community. He adds, There's definitely demand. Politically, this can get done in a time of economic stress because it is clearly in the frame of helping American businesses compete and innovate and adjust.

Despite seemingly optimistic assertions, however, there is certainly room for obstacle. For example, some Republicans are hoping to advance individual tax reform at the same time as the corporate tax reform.

Likewise, *Politico* predicts, Opposition is likely to break down regionally and by industries, rather than by party or ideology. Small-and medium-sized businesses without sophisticated tax planning are likely to benefit, while highly international conglomerates might wind up paying higher rates under reform.

For example, the mining industry, which benefits particularly under the current system, is expected to oppose the proposal. However, the pharmaceutical companies would benefit greatly under the proposal because it provides temporary tax breaks on overseas profits.

In addition to proposals for a corporate tax overhaul, Budget Committee chairman Kent Conrad announced he is in the process of preparing a fiscal blueprint that would slash the deficit by \$4 trillion over the next ten years. Conrads plan is based on the bipartisan findings of the debt commission.

The Boston Globe [writes](#):

Budget Committee chairman Kent Conrad, Democrat of North Dakota, said the plan calls for a complete overhaul of the tax code stripping numerous tax write-offs while lowering income tax rates but would leave Social Security untouched. The overhaul would boost overall taxes by about \$1 trillion over the coming decade.

Conrads measure is expected to come up for a committee vote by next week.

Senator Conrad is a member of the so-called Gang of Six senators working to advance a bipartisan plan that seeks to force Congress to pass legislation that would slash the deficit. The Gang of Six is working on a proposal that is comprised of both spending cuts and tax increases.

While Democrats and Republicans struggle to find a solution to the rising deficit, Secretary Geithner warns that the United States will reach its debt ceiling by [August 2](#) and has encouraged an agreement to be reached in Congress soon. The overwhelming deficit has prompted the federal government to borrow 40 cents on every dollar it spends.



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