



# Budget Model

## Pillar Two and the U.S. A Policy Explainer for Navigating the Global Minimum Tax

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**Summary:** The OECD expects countries to implement components of Pillar Two, its framework for a global minimum tax, starting in 2024. The US is likely to cede tax rights to foreign jurisdictions if it does not enact new tax law. Pillar Two will likely reshape the nature of tax competition between countries, incentivizing greater use of subsidies and refundable tax credits to counteract higher statutory rates.

This paper provides policymakers with a comprehensive resource for navigating the Pillar Two framework. We review key components of Pillar Two and related aspects of US tax policy, including: (i) how the global minimum tax is likely to expose portions of the current US corporate tax base to new foreign taxes; (ii) potential modifications to US tax law that would increase compliance and protect US tax rights; and, (iii) the extent to which Pillar Two is likely to succeed in its policy objectives of reducing corporate profit shifting and international tax competition.

In future work, PWBM will leverage its modeling capabilities to provide estimates of Pillar Two's impact on tax revenue and macroeconomic outcomes.

[Link to Paper](#)

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