



Business Taxation in the Biden Tax Plan

Published on June 29, 2020

<https://budgetmodel.wharton.upenn.edu/estimates/2020/6/29/business-taxation-in-the-biden-tax-plan>

Summary: We analyze several foreign and domestic business taxation provisions from the Biden tax plan. While raising the effective tax rate on foreign profits increases domestic capital, wages, and GDP, provisions that raise domestic business taxes have the opposite effect—when combined, these business tax provisions decrease the capital stock by 0.21 percent and decrease wages by 0.69 percent in 2050.

Contents

[Table 1. Summary of Biden Domestic and Foreign Business Tax Proposals](#)

[Table 2. Economic Effects of Biden's Foreign Business Tax Provision](#)

[Table 3. Economic Effects of Biden's Business Sector Tax Provisions](#)

[Table 4. Economic Effects of Biden's Foreign and Business Sector Tax Provisions](#)



Table 1. Summary of Biden Domestic and Foreign Business Tax Proposals

Category	Provision
Domestic	Raise the corporate tax rate from 21 percent to 28 percent. Impose a minimum tax on corporate book income. Tax capital gains and dividends at ordinary rates. Limit the deduction of certain pass-through income through Section 199A.
Foreign	Lower the GILTI deduction to 25 percent, raising the effective minimum rate on foreign profits.



Table 2. Economic Effects of Biden's Foreign Business Tax Provision

Year	Domestic Variables						Foreign Capital
	GDP	Capital	Labor Supply	Federal Debt	Wages	Asset Price	
2030	0.29	0.82	0.02	-1.33	0.27	-0.51	-7.57
2040	0.24	0.61	0.05	-2.47	0.19	-0.60	-7.55
2050	0.25	0.62	0.06	-3.10	0.19	-0.58	-7.56



Table 3. Economic Effects of Biden's Business Sector Tax Provisions

Year	Domestic Variables						Foreign Capital
	GDP	Capital	Labor Supply	Federal Debt	Wages	Asset Price	
2030	-0.44	-1.14	-0.06	-7.22	-1.00	-1.50	-12.74
2040	-0.54	-1.51	-0.01	-16.90	-1.08	-1.58	-12.67
2050	-0.42	-1.26	0.03	-23.96	-1.01	-1.39	-12.53



Table 4. Economic Effects of Biden’s Foreign and Business Sector Tax Provisions

Year	Domestic Variables						Foreign Capital
	GDP	Capital	Labor Supply	Federal Debt	Wages	Asset Price	
2030	-0.05	-0.15	0.02	-9.80	-0.69	-2.59	-22.23
2040	-0.19	-0.58	0.05	-21.36	-0.79	-2.61	-21.90
2050	0.00	-0.21	0.15	-29.56	-0.69	-2.28	-21.68