



Options for Raising the Corporate Income Tax Rate

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<https://budgetmodel.wharton.upenn.edu/estimates/2021/4/1/options-for-raising-corporate-income-tax-rates>

Summary: PWBM analyzed an increase in the corporate income tax rate to 28 percent, from its current level of 21 percent, as part of the Biden presidential campaign platform.* Here, we analyze the budgetary and macroeconomic effects of corporate income tax increases to 25 percent, 28 percent, and 30 percent. This estimate will be updated as additional data becomes available on the state of the COVID-19 pandemic and the economy.

*<https://budgetmodel.wharton.upenn.edu/estimates/2020/9/14/the-biden-platform>

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Table 1. Conventional Revenue Estimate by Proposed Rate, Fiscal Years 2022-2031

Billions of Dollars, Change from Current-Law Baseline

| Proposed Corporate Tax Rate | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2022-2031 |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|
| 25% | 37.8 | 53.2 | 55.3 | 57.5 | 60.1 | 64.6 | 65.1 | 64.5 | 65.4 | 68.7 | 592.3 |
| 28% | 65.6 | 92.4 | 96.1 | 99.8 | 104.5 | 112.3 | 113.1 | 111.9 | 113.6 | 119.3 | 1028.6 |
| 30% | 83.9 | 118.1 | 122.8 | 127.6 | 133.6 | 143.6 | 144.7 | 143.2 | 145.3 | 152.6 | 1315.3 |



Table 2. Economic Effects by Proposed Rate Corporate Tax Rate

Percent change relative to baseline

| Proposed Corporate Tax Rate | Year | Output | Capital Stock | Average Hourly Wage | Average Hours Worked | Government Debt |
|------------------------------------|-------------|---------------|----------------------|----------------------------|-----------------------------|------------------------|
| 25% | 2031 | 0.68 | 1.85 | 0.59 | 0.09 | -1.01 |
| | 2040 | 0.96 | 2.66 | 0.73 | 0.23 | -2.73 |
| | 2050 | 1.23 | 3.53 | 1.13 | 0.1 | -3.87 |
| 28% | 2031 | 1.2 | 3.3 | 1.04 | 0.16 | -1.44 |
| | 2040 | 1.67 | 4.72 | 1.39 | 0.27 | -4.47 |
| | 2050 | 2.17 | 6.28 | 2.01 | 0.15 | -6.52 |
| 30% | 2031 | 1.56 | 4.31 | 1.36 | 0.2 | -1.7 |
| | 2040 | 2.16 | 6.18 | 1.85 | 0.31 | -5.63 |
| | 2050 | 2.82 | 8.2 | 2.6 | 0.22 | -8.27 |