



Budget Model

Statutory U.S. Corporate Tax Rates vs the OECD under Proposed Changes by House Ways and Means Committee

Summary: The House Ways and Means Committee reforms proposed as part of budget reconciliation would increase the U.S. statutory corporate income tax rate to 26.5 percent, bringing the combined federal and state rate to 30.9 percent, making the U.S. rate the third highest among OECD members.

Introduction

Countries across the world have been under increasing pressure to lower their corporate income tax rates to attract investment and accelerate economic growth in recent decades as capital becomes more mobile. Past research has found adverse effects of corporate income taxes on investment, even though there is disagreement about their magnitudes.¹ Although it is important to examine *effective* tax rates that include reductions in the tax base relative to actual corporate income, comparing *statutory* rates is useful for understanding the initial competitiveness of a country's tax code that might motivate tax base reductions.

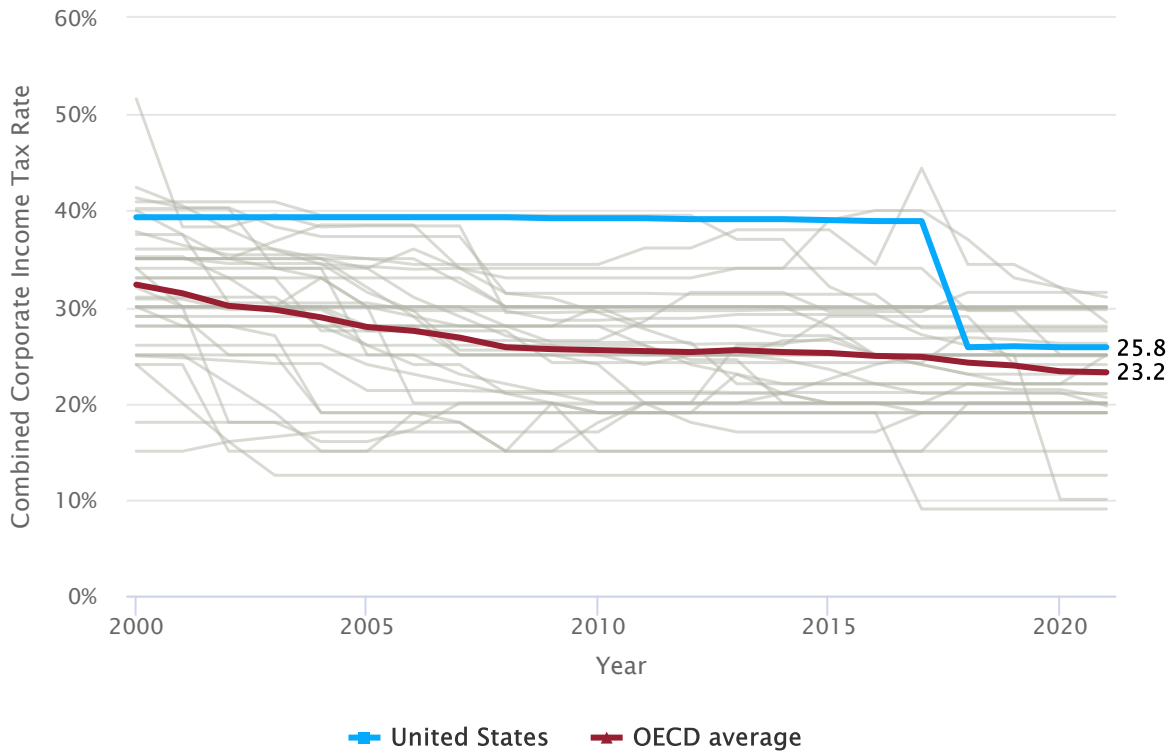
Comparison with OECD Countries

Figure 1 shows the combined federal and state statutory corporate income tax rates across the 38 OECD countries between 2000 and 2021. The OECD average rate has declined almost uniformly from 32.3 percent in 2000 to 23.2 percent in 2021. The rate in the U.S., on the other hand, stayed stable at 39 percent between 2000 and 2017, and then dropped to 25.8 percent after the Tax Cuts and Jobs Act of 2017 took effect.

Between 2003 and 2017, the U.S. was among the top three OECD countries with the highest rates. In 2021, it ranks 13th under current law. The proposed changes by The House Ways and Means Committee would increase the federal statutory rate to 26.5 percent, bringing the combined federal and state rate to 30.9 percent, and make the U.S. rate the third highest among OECD members. Only Portugal and Colombia would be higher at a rate of 31.5 percent and 31 percent respectively.

Figure 1: Combined Corporate Income Tax Rates of OECD Countries between 2000 and 2021

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1. Hines (2007) provides a survey of literature on the effect of corporate taxes on investment. Hines, James R., Jr. 2007. "Corporate Taxation and International Competition." In *Taxing Corporate Income in the 21st Century*, ed. Alan J. Auerbach, James R. Hines, Jr., and Joel Slemrod, 268–95. New York: Cambridge University Press. [↩](#)