



## Tax Reform

### Position

As a global manufacturer of pulp, paper and packaging, International Paper supports fiscally responsible, comprehensive tax reform for individuals and businesses that would create a modernized U.S. tax system. IP believes that simplifying and modernizing the current tax code has the potential to ignite economic activity: businesses increase investments, consumers have more spending power and businesses grow even further.

### Issue Background

Tax policy has a significant impact on business investment, economic growth and job creation. As a globally engaged U.S. company, International Paper is a major customer to thousands of domestic suppliers by purchasing goods and services each year. We create economic growth and jobs in small and medium-sized U.S. companies that are part of our global supply networks. Overall, in 2016, International Paper purchased 12.4 billion in goods and services in the United States. Additionally, the forest products industry manufactures over \$200 billion in products annually and accounts for approximately 4% of the total U.S. manufacturing GDP.

The U.S. tax code is outdated and in need of serious repair. At 39.1%, the United States now has the highest combined (federal plus state) corporate income tax rate in the developed world. U.S. international tax rules actually create incentives for American companies to keep their foreign-earned cash abroad. As a result, the U.S. is in the small, shrinking minority of developed countries that tax businesses when they want to bring foreign earnings back and invest them in their home countries. The U.S. is the only G-8 country to use a “worldwide” tax system, which collects U.S. taxes on the earnings of U.S. foreign subsidiaries. Most other OECD countries employ a market-based or “territorial” system, where a company’s sales in foreign markets are taxed at the rate of that local market – the same rate borne by its closest competitors.

Comprehensive tax reform should include a reduction in the U.S. corporate rate to a level that is competitive with our primary foreign competitors. Congress can make these changes without increasing the deficit by eliminating most, if not all, of the tax deductions and credits that have outgrown their usefulness since the tax code was last reformed in 1986.

Prominent economists believe that reducing high U.S. corporate taxes would translate into higher wages for U.S. workers as companies increase investment in the United States. Higher wages for U.S. workers give consumers greater spending power and a higher standard of living. Some economists estimate that each \$1 increase in U.S. corporate income tax collections results in a \$2 decrease in average hourly wages in the short run and a \$4 decrease in aggregate wages over the long term. A high corporate tax rate reduces business investment, in turn decreasing worker productivity and wages.

### Policy Request

Support comprehensive tax reform that:

- creates a tax system with the lowest possible tax rates for businesses designed to foster capital investment, job creation, exports, and economic growth. A significant reduction in U.S. statutory corporate income tax rate would be more in line with the average among other OECD countries. This reform is needed for U.S.-based companies like IP to be able to compete both domestically and abroad;
- reforms U.S. international tax rules to include a competitive territorial tax system like those of many other countries, which would allow U.S.-based companies to compete on a level playing field in vital global markets;
- establishes reforms to the corporate tax code in a fiscally responsible, permanent way by relying solely on broadening the base of the corporate tax system. This in turn will have a substantial, positive effect on U.S. businesses of all sizes and the economy at large.