6 REASONS FOR THE CORPORATE PROFITS MINIMUM TAX

1. The Corporate Profits Minimum Tax (CPMT) will ensure that big corporations making the most profits pay a reasonable amount of tax every year—without eliminating critical incentives for research, clean energy and affordable housing. In 2020, 55 big firms—including FedEx, Nike and Salesforce.com—paid zero federal income tax, despite over $40 billion in combined profits. Dozens of corporations—again including FedEx and Salesforce, plus T-Mobile—have yet to pay any net federal income taxes in the three years since the 2017 Trump-GOP tax giveaway. Over those same three years, Amazon made over $44 billion in profits yet paid an effective federal tax rate of just 4.3%. These corporations avoid paying their fair share, in part, by exploiting tax breaks littered throughout the tax code. The CPMT would reduce the value of those breaks—including tax incentives that currently reward dirty energy producers.

2. The corporate profits minimum tax will raise about $320 billion over 10 years to fund critical investments in working families and the environment. It raises more than any other tax reform currently included in the Build Back Better Act. This revenue is essential to help bring down the costs of healthcare, childcare, education, housing and other essential services for working families, and to confront the climate crisis.

3. The CPMT would apply a 15% minimum tax to the profits that about 200 corporations report to investors, which is different from what they report to the IRS. Only corporations with annual net income over $1 billion would be subject to the tax. No small or even medium-sized company would be affected. Some profitable corporations can pay zero or little income tax because they essentially keep two sets of books, each with its own set of rules. One they show to Wall Street boasts big profits to attract investors and boost executive pay. The other they give to the IRS claims little or no profit to avoid taxes. Under the CPMT, corporations would pay 15% on the profits (net income) they report to investors if it would result in higher tax than under the normal rules.

4. Corporate taxes are ultimately paid almost exclusively by the rich. America’s wealthiest 1% own over half of all corporate stock; the richest 10% hold about nine out of 10 shares. And foreigners own 40% of all U.S. stock. Tax experts generally estimate that 80% of the burden of corporate taxation is borne by shareholders. Even the small amount attributed to employees falls disproportionately on the highest-paid executives, not rank-and-file workers.

5. A corporate minimum tax is extremely popular with voters. In a recent poll, over three-quarters of respondents (77%) thought that corporations that are now paying zero should pay a minimum 15% rate.

6. The CPMT will keep corporations honest in their profit reporting to investors. Since a padded profit statement will now potentially mean higher taxes, big corporations will be more conservative in calculating the earnings they report to Wall Street, protecting small investors and pension funds from artificially inflated stock prices.