



AMERICANS *for* TAX REFORM

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President

AMERICA'S GROWTH AGENDA

Part Four: Cut the Corporate Capital Gains Rate To 15%, Unlocking Wealth for Job Creation

Proposal: Cut the corporate capital gains rate to 15% from its current 35%

Current Law

Since 2003, individuals have enjoyed a 15% tax rate on long-term capital gains income. Corporations, however, must pay a 35% tax rate on **all** income—including capital gains. While individuals can buy and sell stocks and other assets with a fairly small tax wedge, corporations face the prospect of losing more than a third of their profits with every sale.

Dr. Mihir Desai of the Harvard Business School estimates that corporations are sitting on unrealized capital gains of approximately \$1 trillion.

Pro-Growth Solution

This \$1 trillion of gains will likely never be realized. Why would a company sell shares of a stock only to lose 35% of it in taxes?

A better solution would be to give corporations an incentive to sell these assets, freeing up money to grow their businesses, create jobs, and reward shareholders. This “tax cut,” far from losing money, will result in a one-time gusher of revenue to the Treasury. 15% of the profit going to taxes certainly raises more money than the assets just sitting there and never being sold.

Done properly, lowering the corporate capital gains rate to 15% will tax all capital gains equally, “pay for” other pro-growth tax cuts, and create a more efficient corporate financial environment. Put it all together, and you have a job-creating win-win.

Fun Fact: Up until 1986, corporations paid a lower capital gains tax rate. At the time, corporations could elect to exclude four-tenths of their capital gains from taxation.

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