The International and Comparative Tax War: A Strategic Tax Cut Recommendation for the Obama Administration

Richard T. Page*

I. INTRODUCTION

A. *Purpose Statement*

The purpose of this Comment is to answer three comparative tax policy questions. First, should the Obama Administration reduce U.S. tax rates for the strategic purpose of increasing the United States' international competitiveness? Second, if U.S. tax rates are reduced for

---

* J.D. candidate 2010, Tulane University Law School; M.B.A. candidate 2010, Tulane University, Freeman School of Business; M.P.P. 2006, University of Chicago; B.A. 2004, Tulane University. I thank Lynn Becnel for her indefatigable efforts to teach me the rules of *The Bluebook* and *The Gregg Reference Manual* and the members of the *Tulane Journal of International and Comparative Law* who helped review and edit this Comment.

such a strategic purpose, which taxes should be reduced? And third, how much of any such reduction is warranted?

B. *Summary of Conclusion*

The Obama Administration should reduce the U.S. corporate income tax rate from 35% to 12.5% for strategic purposes. The current rate is: (1) not competitive in relation to the rates of other nations,[1] (2) avoidable by mobile multinational corporations that are shifting jobs and capital to lower-tax countries,[2] (3) responsible for generating a relatively small percentage of federal tax revenue,[3] and (4) targeted for reductions by Congressional representatives on both sides of the aisle.[4] Conversely, strategic international considerations do not warrant significant changes in personal income tax rates or estate tax rates at this time.

II. ANALYSIS

A. *Overview*

During the 2008 U.S. presidential election campaign, Cato Institute[5] authors Chris Edwards[6] and Daniel J. Mitchell[7] published a provocative book declaring that if the United States "retains [its] tax code as other countries make further reforms, America will tumble in the rankings of the wealthiest and most competitive nations."[8] Edwards and Mitchell go on to recommend a series of tax cuts, including reductions in both individual and corporate tax rates.[9]

Fortunately, from the perspective of Edwards and Mitchell, President Obama has proposed to "cut taxes overall, reducing [tax] revenues to below the levels that prevailed under Ronald Reagan (less

---

1. *See infra* Part II.C.2.
2. *See infra* Part II.D.2.
3. *See infra* Part III.
4. *See infra* Part III.
5. The Cato Institute is a Washington, D.C.-based nonprofit public policy research foundation whose mission is "to increase the understanding of public policies based on the principles of limited government, free markets, individual liberty, and peace." Cato.org, About Cato, http://www.cato.org/about.php (last visited Mar. 8, 2009).
6. Chris Edwards is the director of tax policy studies at the Cato Institute. CHRIS EDWARDS & DANIEL J. MITCHELL, GLOBAL TAX REVOLUTION: THE RISE OF TAX COMPETITION AND THE BATTLE TO DEFEND IT (2008) (About the Authors).
7. Daniel J. Mitchell is a senior fellow at the Cato Institute. *Id.*
8. *Id.* at 194.
9. *Id.* at 196, 198.

than 18.2[%] of GDP)."[10] In prefacing this plan, Obama expressed a desire to encourage "economic growth that helps create good jobs in America."[11] This Comment addresses: (1) whether such cuts are strategically necessary to prevent America from "tumbl[ing] in the rankings of the wealthiest and most competitive nations,"[12] (2) what taxes should be cut (if any), and (3) what the magnitude of any such reduction(s) should be.

B. Foreign Tax Rate Trends: A State of Gradual Decline

To evaluate the evidence in support of a tax reduction it is necessary to compare U.S. tax policy with that of other countries. Several foreign countries have been reducing their tax rates in significant ways.[13] This trend can best be analyzed by separately reviewing corporate taxes, personal income taxes, and estate taxes.

1. Foreign Corporate Tax Rates Are Decreasing

The world's most recent wave of corporate tax cuts began in Britain and the United States during the 1980s.[14] Shortly after taking office in 1979, U.K. Prime Minister Margaret Thatcher sought tax reductions as one of her top priorities.[15] By 1986, Britain had cut its top corporate tax rate from 52% to 35%.[16] In the United States, Ronald Regan quickly began touring the country after his 1981 inauguration to muster support for his ambitious tax cut plans.[17] By 1987, the United States reached a lower corporate tax rate than Britain as a result of a drop in the top rate from 46% to 34%.[18] Other countries, such as Australia, Canada, France, Germany, and Japan, quickly followed suit with cuts of their own.[19] These countries likely knew that they would have to drop their rates to

---

10. Org. for Am., Responsible Tax Cuts for Ordinary Americans, http://www.barack obama.com/taxes (last visited Sept. 9, 2009).

11. *Id.*

12. EDWARDS & MITCHELL, *supra* note 6, at 194.

13. *See, e.g.*, KPMG Int'l, KPMG's Corporate and Indirect Tax Rate Survey 2008, at 10 (2008), http://www.kpmg.com/SiteCollectionDocuments/Corporate-and-Indirect-Tax-Rate-Survey-2008v2.pdf.

14. EDWARDS & MITCHELL, *supra* note 6, at 43.

15. *U.K. Pledges Union Curbs, Tax Cuts*, GLOBE & MAIL (Can.), May 16, 1979.

16. EDWARDS & MITCHELL, *supra* note 6, at 43.

17. Lou Cannon & Dan Balz, *Reagan, Taking His Economic Plan on Road, Flays Hill Democrats*, WASH. POST, June 25, 1981, at A3, *available at* LEXIS, News & Business, Individual Publications.

18. EDWARDS & MITCHELL, *supra* note 6, at 43.

19. LUCY CHENNELLS & RACHEL GRIFFITH, INST. OF FISCAL STUDIES, TAXING PROFITS IN A CHANGING WORLD 28 tbl.2.1 (1997), *available at* http://www.ifs.org.uk/comms/taxprofits.pdf.

stay competitive with the powerhouse economies of the United States and Britain, as well as smaller economies such as Ireland's, which were taking advantage of even greater tax cuts during the same time period.[20]

The competitive corporate tax rate cuts did not stop in the 1980s. Edwards and Mitchell conducted a study on the Organisation for Economic Co-Operation and Development (OECD)[21] corporate income tax rates from 1996 to 2008 (including the cumulative effect of both national and subnational taxes) and found that in each of these years the average corporate tax rate gradually dropped.[22] This is significant because it shows that the data does not merely reflect volatility; rather, it demonstrates a consistent downward trend.[23] Ultimately, the average top rate declined from 38% to 27% over this twelve-year period.[24]

The current top corporate tax rates among many OECD nations, aside from the United States, are significantly lower than the rates of 40% and above that prevailed for two decades before the Reagan/Thatcher revolution.[25] Outside of the OECD, the results are no different. KPMG, a "Big Four" auditor, keeps detailed records of worldwide trends in corporate tax rates.[26] KPMG's most recent corporate tax rate survey results present some revealing data.[27] All four of KPMG's designated global regions have experienced significant corporate tax rate reductions in the past nine years.[28] Even in volatile and relatively less-competitive regions, such as Latin America, average corporate tax rates have declined since 1999.[29]

The average reduction in corporate tax rates in the European Union from 1999 to 2008 is the most pronounced; rates dropped from an average of 34.8% to 23.2%.[30] The fact that the European Union is at the fore in this regard is of great significance because the region serves as a

---

20. *The Irish Economy: A Model of Success*, ECONOMIST, Oct. 16, 2004, *available at* 2004 WLNR 10898085.

21. The OECD is a group of thirty major countries committed to "democracy and the market economy." OECD.org, About OECD, http://www.oecd.org/pages/0,3417,en_36734052_36734103_1_1_1_1_1,00.html (last visited Mar. 8, 2009).

22. EDWARDS & MITCHELL, *supra* note 6, at 46 fig.3.7.

23. *Id.*

24. *Id.* at 45.

25. Daniel J. Mitchell, The Global Race for Lower Corporate Tax Cuts, http://www.cato.org/pub_display.php?pub_id=8382 (last visited Sept. 18, 2009).

26. *See, e.g.*, Our Successes, http://www.kpmg.com/Global/en/WhoWeAre/Performance/Pages/Our-successes.aspx (last visited Nov. 25, 2009).

27. *See, e.g.*, KPMG Int'l, *supra* note 13, at 15.

28. *Id.*

29. *Id.*

30. *Id.*

bellwether for the increasing interconnectedness that the world will continue to experience.

The lackluster worldwide economy of 2007 and 2008 did not slow down the relentless movement toward lower corporate tax rates.[31] In late 2007, Germany announced that it would lower its corporate tax rate to roughly 30%.[32] In 2004, Nicolas Sarkozy, France's then-Finance Minister, sought to implement a common minimum corporate tax rate throughout Europe to prevent a race to the bottom on corporate rates.[33] However, shortly after being elected President in May 2007, he promised to reduce France's corporate income tax rate of 33% by at least 5 percentage points.[34]

Spain, Britain, and Italy, three major European countries, have also made recent cuts to their corporate tax rates. In 2007, Spain reduced its rate by 5 percentage points, to 30%.[35] Britain's rate was reduced from 30% to 28% in 2008.[36] And Italy's 2008 reduction brought its rate from 37% to 31%.[37]

In Asia, corporate tax cuts have been a focal point of Korean, Japanese, and Indonesian public policy initiatives.[38] In November 2008, Korea announced significant corporate tax cuts to stimulate its economy.[39] Earlier that year, Japan formally announced that it would review corporate tax rates to help the country maintain its competitiveness in the global economy.[40] Indonesia implemented what was perhaps the most aggressive Asian corporate tax rate cut of 2008, dropping its top rate from 30% to 25%.[41]

The wave of recent corporate tax cuts has not missed the Western Hemisphere. Some of the United States' closest economic rivals have taken notice of the tax-cutting trend, and have acted accordingly.

---

31. KPMG's study shows that tax rate changes continued their downward trend. *Id.*
32. Carolyn Cummins, *Look-Ins as Germany Changes Tax*, SYDNEY MORNING HERALD, Mar. 8, 2008, at 68, *available at* http://www.smh.com.au/business/lookins-as-germany-changes-tax-20080307-1xx0.htm.
33. *If You Can't Beat Them, Join Them with Massive Corporate Tax Cuts*, N.Z. HERALD, May 30, 2007, Business, General, *available at* LEXIS, News & Business, Individual Publications.
34. *Id.*
35. *You Go, Europe: Tax-Cut Fever Will Disappoint U.S. Liberals*, SAN DIEGO UNION-TRIB., Apr. 28, 2007, *available at* 2007 WLNR 8130089.
36. EDWARDS & MITCHELL, *supra* note 6, at 48.
37. *Id.* at 46.
38. *Id.* at 48.
39. Lee Hyo-sik, *Corporate Tax Cut Key to Economic Recovery*, KOREA TIMES, Feb. 11, 2008, *available at* 2008 WLNR 2649463.
40. *Three-Minute Digest*, BUSINESS TIMES (Sing.), June 24, 2008, *available at* 2008 WLNR 11823371.
41. EDWARDS & MITCHELL, *supra* note 6, at 48.

Canada, which shares the United States' longest border, has announced plans to reduce its corporate tax rate to 15% by 2012, which represents a 6 point drop from its 2007 rate.[42] To the south, Latin America has been no less ambitious. While the average corporate tax rate in the region has fluctuated over the past decade, a downward trend has recently prevailed.[43] Between 2006 and 2007, the average corporate tax rate in Latin America dropped from 28.1% to 27.1%.[44] This was followed by a further reduction to 26.6% in 2008.[45]

2. Foreign Personal Income Tax Rates Are Decreasing

In the United States, federal personal income taxes regularly account for roughly half of the federal government's tax revenue.[46] By contrast, corporate tax revenues typically generate only one-tenth of the U.S. government's overall tax revenue.[47] The global personal income tax trend is just as clear as the global corporate income tax trend. Many countries have been making dramatic cuts.[48] For example, since 1985, Zambia has reduced its top marginal personal income tax rate by 50 percentage points.[49] Over this same time period, Brazil, the Dominican Republic, Egypt, India, Italy, Morocco, Peru, the Philippines, Portugal, Spain, and Thailand have enacted cuts ranging from 27 to 45 percentage points.[50]

This personal income tax trend is not limited to just a handful of countries, nor is it counterbalanced by equal increases in other countries. The personal tax cut trend touches every major continent.[51] Since 1985, Europe has experienced an average top-marginal rate decrease of 21 percentage points; Asia has seen an identical reduction, while Latin American and African reductions have been even more pronounced, averaging 24 and 27 percentage points respectively.[52]

---

42. Madhavi Acharya-Tom Yew & Rita Trichur, *Ottawa Dishes Out Candy; Tax-Rate Slashing Gets Small-Business Kudos, but Manufacturers Cry Out for Currency Relief*, TORONTO STAR, Oct. 31, 2007, at B01, *available at* 2007 WLNR 21427171.

43. KPMG Int'l, *supra* note 13, at 15.

44. *Id.*

45. *Id.*

46. U.S. CONG. BUDGET OFFICE, THE BUDGET AND ECONOMIC OUTLOOK: FISCAL YEARS 2005 TO 2014, at 92 (2004), *available at* http://www.cbo.gov/ftpdocs/49xx/doc4985/01-26-BudgetOutlook-EntireReport.pdf.

47. *Id.*

48. EDWARDS & MITCHELL, *supra* note 6, at 33.

49. *Id.*

50. *Id.*

51. *Id.*

52. *Id.*

3. Diminishing and Nonexistent Estate Taxes Around the World

The estate tax, also referred to as the "inheritance tax" or the "death tax," is one of the oldest forms of taxation known to man.[53] An estate tax was introduced at the federal level in the United States in 1862 but was intermittently abolished and reinstituted before its most current form was enacted in 1916, in part to cover the cost of World War I.[54]

The worldwide tax cut revolution has resulted in countries going beyond making reductions to their estate taxes; many countries have recently abolished estate taxes altogether.[55] A 2006 American Council for Capital Formation survey of fifty countries found that half did not have an estate tax.[56] For example, Singapore abolished its estate tax on February 15, 2008.[57] Nine OECD countries have no estate tax, including Australia, Canada, and New Zealand.[58] Even the left-leaning country of Sweden decided to abolish its estate tax in 2005.[59] For U.S. expatriates preferring a warmer climate, Mexico[60] and the British Virgin Islands provide estate-tax-free havens.[61]

C. U.S. Tax Rates Are No Longer Competitive

The aforementioned reductions and eliminations of various corporate, personal, and estate taxes throughout the world only become relevant for the United States when contrasted with U.S. tax policies. This Part reviews the impact of expected changes to the U.S. Internal Revenue Code and, in general, the United States' response to the trends in other countries.

---

53. JOHN K. MCNULTY, FEDERAL ESTATE AND GIFT TAXATION IN A NUTSHELL 1 (5th ed. 1994).

54. *Id.* at 3.

55. EDWARDS & MITCHELL, *supra* note 6, at 43.

56. MARGO THORNING, NEW INTERNATIONAL SURVEY SHOWS U.S. DEATH TAX RATES AMONG HIGHEST 1-2 tbl.1 (2005).

57. Inland Revenue Auth. of Sing., Estate Duty, http://www.iras.gov.sg/irasHome/page01.aspx?id=778 (last visited Aug. 30, 2009).

58. EDWARDS & MITCHELL, *supra* note 6, at 44 fig.3.6.

59. Stephen Byers, Response, *Inheritance Tax Does Not Reduce Inequality*, GUARDIAN (U.K.), Sept. 1, 2006, *available at* http://www.guardian.co.uk/commentisfree/2006/sep/01/comment.economy.

60. EDWARDS & MITCHELL, *supra* note 6, at 44 fig.3.6.

61. The SCF Group, Tax Mitigation Jurisdictions, http://www.scfgroup.com/Offshore_Jurisdictions/Tax_Havens_Jurisdictions_OJ/British_Virgin_Islands_TMJ/ (last visited Aug. 30, 2009).

1. Historical Background and Review of Current U.S. Tax Policies

In the early history of the United States, several unsuccessful attempts were made to impose a permanent corporate income tax.[62] In 1909, Congress was finally able to achieve this goal by enacting a corporate income tax of 1%.[63] Two years later, the Supreme Court upheld the 1909 Act despite a constitutional challenge seeking invalidation.[64] By 1918, the top corporate income tax rate had increased to 12%, before making a leap to 38.3% in 1940.[65] Both of these increases coincide with U.S. involvement in major world wars. The highest marginal corporate tax rate that the United States experienced was in the late 1940s, when the top bracket was 53%.[66]

When Ronald Reagan took office in 1981, the top rate was 46%.[67] By 1988, the highest rate had dropped to 39% (applicable to the $100,000 to $335,000 tax bracket), where it has remained for the last twenty years.[68] In the top bracket, corporate income is currently taxed at 35%.[69] Edwards and Mitchell estimate that local corporate income tax rates add an additional 5 percentage points to this figure, leaving the United States with an approximated statutory rate of 40%.[70] They report that this 40% rate did not change between 1996 and 2008, during which time the average rate of all OECD countries declined from 37.6% to 26.8%.[71] The United States has opted to remain on the sidelines and watch other countries play the corporate tax-cutting game.

The history of U.S. personal income taxation shares a similar story. The personal income tax was first enacted during the Civil War, but was soon phased out.[72] Other attempts to implement a federal income tax failed until a constitutional amendment definitively allowing for such a tax was proposed in 1909 and ratified in 1913.[73] Undoubtedly,

62. DOUGLAS A. KAHN & JEFFREY S. LEHMAN, CORPORATE INCOME TAXATION 4-5 (4th ed. 1994).

63. H.R. Con. Res., 61st Cong. (1909).

64. Flint v. Stone Tracy Co., 220 U.S. 107, 177 (1911) ("[T]he statute [is] within the constitutional power of the Congress.").

65. Internal Revenue Serv. (IRS), Corporation Income Tax Brackets and Rates: 1909-2002, at 287 tbl.1, http://www.irs.gov/pub/irs-soi/02corate.pdf (last visited Aug. 30, 2009).

66. *Id.* at 288 tbl.1.

67. *Id.*

68. *Id.* at 289 tbl.1.

69. EDWARDS & MITCHELL, *supra* note 6, at 45.

70. *Id.*

71. *Id.* at 46.

72. DOUGLAS A. KAHN, FEDERAL INCOME TAX: A STUDENT'S GUIDE TO THE INTERNAL REVENUE CODE 1 (2d ed. 1994).

73. *Id.* at 2.

ratification was likely aided by the relatively low proposed rates. In 1913, the highest personal income tax bracket was only 7%.[74] Within 5 years, the highest rate had reached 77%.[75] The peak personal income tax rate was 94% (in place from 1944 to 1945) on any taxable income over $200,000[76] (approximately $2.49 million in 2008 dollars).[77] From 1951 to 1963, the rate in the top bracket (for income over $400,000) hovered above 90% before leveling off at 70% through most of the 1970s.[78] The Reagan Administration oversaw a reduction in the top bracket to 28%, but by 1993, rates had risen to 39.6%.[79]

Today, the top U.S. federal personal income tax rate is 35%, and is triggered once an individual's annual income surpasses $372,950.[80] The OECD has calculated the average top personal tax rate in the United States in 2007 to have been 41.4%, after factoring in the addition of state income taxes[81] (top state rates vary from 0% to 10.3%).[82]

This personal income tax trend gives the impression that the United States is much more tax-competitive than its corporate income tax record suggests. It is clear that the Reagan and George W. Bush Administrations did not merely sit on the sidelines as other countries made strategic personal income tax cuts. Accordingly, the United States currently sits in the middle of the OECD top personal income tax rates distribution.[83]

The U.S. federal estate tax was first enacted in 1916[84] and imposed a top marginal rate of 10% above $5,000,000.[85] Within just one year, the top marginal rate had increased to 25% on values above $10,000,000.[86] The top marginal rate peaked at 77% in 1941 and remained there through 1976, before gradually declining to the current rate of 45%.[87] The lowest

---

74. Internal Revenue Serv. (IRS), Personal Exemptions and Individual Income Tax Rates, 1913-2002, at 219 tbl.1, http://www.irs.gov/pub/irs-soi/02inpetr.pdf (last visited Aug. 30, 2009).
75. *Id.*
76. *Id.*
77. Posting of Joseph Henchman to the Tax Foundation Tax Policy Blog, http://www.taxfoundation.org/blog/show/23697.html (Oct. 1, 2008).
78. IRS, *supra* note 74.
79. *Id.*
80. The Tax Found., Federal Individual Income Tax Rates History, 1913-2009, http://www.taxfoundation.org/taxdata/show/151.html (last visited Aug. 30, 2009).
81. Tax Policy Ctr., OECD Top Marginal Personal Income Tax Rates, 1975-2007, tbl.I-4, http://www.taxpolicycenter.org/taxfacts/Content/PDF/oecd_historical_toprate.pdf (last visited Nov. 25, 2009).
82. EDWARDS & MITCHELL, *supra* note 6, at 32-33.
83. *Id.* at 34 fig.3.2.
84. Darien B. Jacobson et al., *The Estate Tax: Ninety Years and Counting*, STAT. INCOME BULL. 118, 120 (2007), *available at* http://www.irs.gov/pub/irs-soi/ninetyestate.pdf.
85. *Id.*
86. *Id.* at 122.
87. *Id.*

current bracket is 18%, which can be avoided by most taxpayers due to the relatively high exemption levels currently in place.[88] In 2009, the first $3,500,000 of an estate is exempt from federal estate taxation.[89]

To get a sense of how U.S. estate tax policy has evolved over the past ten years, we can compare current tax and exemption rates with those applicable in 1999. Doing so reveals that the exemption has increased by $2,850,000 (in nominal dollars), and that the top rate has declined by 10 percentage points, from 55% to 45%.[90] These trends indicate that the United States has taken a competitive position on estate tax policy. Nevertheless, the 2006 American Council for Capital Formation report on fifty industrialized countries found that only two countries had higher national estate tax rates than the United States.[91] Apparently, despite the significant U.S. estate tax cuts, U.S. reductions have not been able to keep pace with reductions in other countries.

2. U.S. Tax Law Changes Scheduled in the Future

A review of current and historical U.S. corporate, income, and estate taxes is not sufficient for this analysis. The ever-changing nature of the Internal Revenue Code requires a look into future tax proposals.

The George W. Bush Administration's personal income tax cuts, responsible for reducing the top marginal rate from 39.6% to 35%, are set to expire in 2010.[92] As a presidential candidate in the summer leading up to the November 2008 U.S. presidential election, Barack Obama pledged, if elected, to roll back these cuts.[93] In February 2009, after just one month in office, he officially released a 2010 budget proposal calling for a reinstatement of the 39.6% rate.[94] After adding Edwards and Mitchell's estimate of an average incremental value of 6.4 percentage

---

88. *Id.*

89. Patrick T. Yeagle, *Proposed Bill Aims at Estate Tax 'Glitch,'* CHI. DAILY L. BULL., Feb. 17, 2009, at 1, *available at* https://www.chicago/lawbulletin.com/include/print_story.cfm?ID=100002347&TYPE=LB&Historical=1&SessionID=3356361&CFID=3356361?CFTOKEN=34164182.

90. JACOBSON ET AL., *supra* note 84, at 122.

91. THORNING, *supra* note 56, at 1 fig.1. Korea and Japan are the only two countries surveyed with higher estate tax rates. *Id.*

92. SAMARA R. POTTER & WILLIAM G. GALE, BROOKINGS INST., POLICY BRIEF NO. 101, THE BUSH TAX CUT: ONE YEAR LATER (2002), http:www.brookings.edu/~/media/Files/rc/papers/2002/06useconomics_gale/pb101.pdf.

93. Andrew Clark, *The Big Question for US Voters: To Tax or Not To Tax*, OBSERVER (U.K.), Aug. 31, 2008, at Business, U.S. Economy, *available at* http://www.guardian.co.uk/business/2008/aug/31/useconomy.uselections2008.

94. *Obama Budget Includes $1T in Taxes over 10 Years; Highest Earners Would Help Fund Health Care for Poorer Citizens*, THE RECORD (N.J.), Feb. 27, 2009, at A16, *available at* 2009 WLNR 3919675.

points for state income tax obligations in the highest brackets, this would put the top U.S. rate at approximately 46% in 2011.[95]

At 46%, the U.S. rate would be slightly above the average income tax rate in Europe of 44%, and significantly higher than the average rates in Africa, Asia, and Latin America, of 36%, 36%, and 29%, respectively.[96] Nonetheless, eleven OECD countries have rates that exceed 46%.[97] This includes neighboring Canada, at 46.2%.[98] To the south, Mexico maintains a rate of 28%.[99] Also, many of these countries impose a value-added tax that the United States does not.[100]

U.S. estate tax law is projected to take a highly unusual and problematic path. In 2010, the estate tax will drop to 0% for a one-year period, then it will increase to 2001 levels.[101] This will include a reversion back to a $1,000,000 exemption level.[102] Some accountants believe that the estate-planning industry is expecting Congress to enact legislation that will permanently set the exclusion at $3,500,000.[103]

Others doubt that Congress will allow the estate tax to drop to zero in 2010 and believe that it will act late in 2009, when its "back is against the wall."[104] To add to the uncertainty, the Obama Administration's 2010 proposed budget includes the continuation of 2009 rates.[105] This projected state of affairs will be problematic, if left unaltered, because of the perverse incentives that would be created. Some individuals might hope for a timely death in 2010 unless Congress decreases the variance in estate tax rates currently in place between December 2009 and January 2011. In any event, a reversion to pre-2001 estate tax levels will put U.S.

---

95. *See* EDWARDS & MITCHELL, *supra* note 6, at 32-33. The 6.4 percentage point figure represents the difference between the top federal rate and Edwards and Mitchell's total estimate of 46% when federal and state taxes are combined.

96. *Id.* at 34 fig.3.3.

97. *Id.*

98. *Id.* at 34 fig.3.2.

99. *Id.*

100. For example, Canada imposes a nationwide value-added tax of 5% on most goods. Rocco M. Delfino & C. Mario Paura, *Setting Up Shop in Canada: What U.S. Retailers Need To Know*, BUS. L. TODAY, Jan./Feb. 2009, at 3, 5.

101. Richard Schmalbeck & Jay A. Soled, *Many Unhappy Returns: Estate Tax Returns of Married Decedents*, 21 VA. TAX REV. 361, 368 (2002).

102. Jamie Ziemer, *Businesses Find Nuggets of Help in Tax Changes*, ARGUS LEADER (S.D.), Feb. 11, 2009, at A6, *available at* http://pqasb.pqarchiver.com/argusleader/access/1689624461.html?FMT=ABS&date=Feb+11,+2009.

103. *Id.*

104. *Id.* (internal quotations omitted).

105. OFFICE OF MGMT. & BUDGET, EXEC. OFFICE OF THE PRESIDENT, BUDGET OF THE UNITED STATES GOVERNMENT, FISCAL YEAR 2010, at 121 n.1 (2009), *available at* http://www.whitehouse.gov/omb/assets/fy2010_new_era/A_New_Era_of_Responsibility2.pdf.

estate taxes at a 55% rate, easily the highest among all OECD countries.[106]

The projection of the U.S. corporate tax rate is also of concern. Despite the sharp cuts in corporate rates that have been taking place throughout the world, the rate in the United States has remained the same.[107] Several days before the 2008 U.S. presidential election, CNN reporter Wolf Blitzer questioned then-candidate Obama about rumors of his intentions to raise the corporate tax rate if elected.[108] Obama quickly rejected Blitzer's suggestion and promised that he had "no plans for increasing the corporate tax rate."[109]

The Obama Administration's 2010 proposed budget projects that federal corporate tax revenues will decrease from 2008 to 2009, but will increase in 2010 and 2011 and will eventually surpass 2008 levels by 2012.[110] The administration further projects that by 2019 corporate tax revenues will reach over $500 billion annually.[111] This represents a significant increase over the 2008 federal corporate tax revenue of $304 billion.[112] Presumably, these projected increases are the result of expectations that corporate America will enjoy a more prosperous future. One thing is certain: the budget projections do not suggest that the Obama Administration has ambitious plans to reduce corporate tax rates.

D. International Mobility of People and Businesses

Strategic comparative-tax analysis is of diminished importance if people and businesses are not capable and willing to relocate for tax purposes. Accordingly, this Part critically evaluates the assumption of a mobile international workforce and business sector.

1. Increasing International Labor Mobility

Two main factors have increased the mobility of labor in the twenty-first century: (1) technological advances and (2) increased political stability around the world. Both developments have led to increased labor (and leisure) relocations and are likely to continue to do so in the future. In short, labor is now more mobile than ever.

---

106. EDWARDS & MITCHELL, *supra* note 6, at 44 fig.3.6.

107. *Id.* at 46 fig.3.7.

108. *The Situation Room: Interview with Barack Obama; Schwarzenegger Campaigns with McCain* (CNN television broadcast Oct. 31, 2008, transcript).

109. *Id.*

110. OFFICE OF MGMT. & BUDGET, *supra* note 105, at 117 tbl.S-3.

111. *Id.*

112. *Id.*

First, travel costs and the time it takes to travel have continued to decrease. In 1492, it took thirty-six days to travel across the Atlantic Ocean;[113] now, it takes less than ten hours.[114] Commercial aviation did not take off until the 1920s,[115] and today we take it for granted. As a recent trend, airfares have dropped significantly over the last several decades.[116] A Government Accountability Office (GAO) study found that airfares decreased by 21% between 1990 and 1998 alone.[117] It is likely that transatlantic airfares will further decrease as a result of consumer-friendly airline deregulation that took place in 2008 (i.e., the international "Open Skies" agreement).[118]

The decreased travel time and associated reduction in travel expenses make it less costly for citizens to move from one country to the next. More importantly, these factors make it easier for emigrees to maintain interconnectedness with their home countries and relatives who remain there. One can simply fly home for a weekend family reunion and return to work on Monday morning.[119]

Even when flying is not convenient, or where it remains too costly for regular travel, other technologies have made the psychological barriers to relocation easier. The Internet provides social networking platforms that facilitate keeping in touch with old friends while simultaneously expediting the meeting of new ones. For example, a Vietnamese immigrant to New Orleans can run a search on Facebook.com for "New Orleans Vietnamese" and instantaneously find the group "The Vietnamese American Young Leaders Association of

---

113. Peter C. Mancall, *The Age of Discovery*, 26 REV. AM. HIST. 26, 27 (1998) (quoting JEREMY BELKNAP, A DISCOURSE, INTENDED TO COMMEMORATE THE DISCOVERY OF AMERICA BY CHRISTOPHER COLUMBUS 25 (1792)).

114. For example, Continental Airlines estimates that a flight from London to Newark, New Jersey, takes roughly eight hours. Continental Airlines, http://www.continental.com (create itinerary from London to Newark).

115. *See* David D. Lee, *Herbert Hoover and the Development of Commercial Aviation, 1921-1926*, 58 BUS. HIST. REV. 78, 79 (1984).

116. Jeff Brumley, *More Americans Opting for 'Vacations with a Purpose'; From Spring Break to Summer, Kids and Adults Journey To Help Others*, FLA. TIMES-UNION, June 17, 2007, at B-1, *available at* http://www.jacksonville.com/tv-online/stories/061707/met_178058153.shtml.

117. Lee Davidson & Max Knudson, *S.L. Airport Flying High—With Biggest Fare Drop, Airfares Plunge 46.3% in the 1990s*, DESERET NEWS (Salt Lake City), Mar. 17, 1999, at A01, *available at* http://www.desertnews.com/article/686127.

118. Jessica Finan, Comment, *A New Flight in the International Aviation Industry: The Implications of the United States-European Union Open Skies Agreement*, 17 TUL. J. INT'L & COMP. L. 225, 242 (2008).

119. Michael Skapinker, *London Calling: Why the Capital Lures Ever More Migrants*, FIN. TIMES (U.K.), Oct. 1, 2007, *available at* http://www.ft.com/cms/3/Q/8986C8ee-6fa7-11dc-b66c-000077dfd2ac.html.

New Orleans," which has over 120 members and solicits citizens to attend its free weekly events.[120]

To keep in touch with friends and relatives from home, e-mail can now be used in place of the slower and more costly method of mailing tangible letters. More importantly, the cost of making international telephone calls has recently plummeted to zero, and this includes voice as well as video.[121] Skype, the leading platform used for free Internet-based telephone and video conferencing, was launched in 2003.[122] By 2005, Skype accounted for 2.8% of international telephone traffic (7.6 billion minutes), and in 2006 it claimed a 4.4% share (13.8 billion minutes).[123] These technological advances in transportation and communications weaken the psychological barriers to moving long distances. The world is effectively becoming smaller, and people are now more mobile than ever.

Political stability also plays an important role in giving people greater flexibility in choosing where to live. Fortunately, despite ongoing conflicts around the world, social scientists believe that the number of democracies in the world is near an all-time high.[124] In 2007, individuals had 123 electoral democracies from which to choose.[125] In 2008, the Fraser Institute estimated that 102 countries it surveyed allowed for greater economic freedom than they did in 1980.[126]

In 2006, Craig Barrett, Chairman of Intel, testified to Congress that "[m]ore nations very intent on attracting high-tech state-of-the-art factories, such as Intel's, now also have the requisite infrastructure and well-trained workforce they lacked in years past."[127] The United States is

---

120. Facebook.com (search "New Orleans Vietnamese") (last visited Sept. 6, 2009).

121. Skype.com, About Skype, http://about.skype.com/ (last visited Sept. 6, 2009).

122. Skype.com, Skype Beta Launched, http://about.skype.com/2003/08/skype_beta_launched.html (last visited Sept. 6, 2009).

123. TeleGeography.com, TeleGeography Update: International Carriers' Traffic Grows Despite Skype Popularity, http://www.telegeography.com/cu/article.php?article_id=15656&email=html (last visited Sept. 6, 2009).

124. Monty G. Marshall, Polity IV Project: Political Regime Characteristics and Transitions, 1800-2008, http://www.systemicpeace.org/polity/polity4.htm (last visited Sept. 6, 2009).

125. Freedom House, Electoral Democracies (123), 2007, http://www.freedomhouse.org/template.cfm?page=368&year=2007 (last visited Sept. 6, 2009).

126. JAMES GWARTNEY ET AL., FRASER INST., ECONOMIC FREEDOM OF THE WORLD: 2008 ANNUAL REPORT 13 (2008), *available at* http://www.freetheworld.com/2008/EFW2008Ch1.pdf. To make such a calculation, the Institute uses 42 factors that reflect 4 central elements of freedom: "(1) personal choice; (2) voluntary exchange coordinated by markets; (3) freedom to enter and compete in markets; and (4) protection of persons and their property from aggression by others." *Id.* at 3.

127. *Comparative Tax Policy: Testimony Before the Subcomm. on Select Revenue Measures of the H. Comm. on Ways and Means*, 109th Cong. (2006) [hereinafter *Comparative*

no longer one of the only stable and prosperous regimes in the world market, and investor pursuits of foreign investments reflect this.[128]

Due in part to the aforementioned factors, human migration is on the rise. As a percentage of the worldwide population, international migrants are at an all-time high since 1960, when the United Nations began tracking such data.[129] In 2004, the latest year of available data, refugees made up only 7.1% of such migrants.[130] In absolute terms, the number of people living outside of their home countries has doubled from roughly 100 million in 1980 to roughly 200 million today.[131]

In individual regions, the results of this increased international migration can be significant. In London, a relatively low-tax city, the 2006 population was nearly one-third foreign-born, representing a 7 percentage point increase in the same figure from a decade ago.[132] Yet London cannot rest on its laurels: when a new tax was proposed in 2008, Greek shipowners threatened to leave the country,[133] and some hedge fund managers quickly hedged their bets by relocating to Switzerland.[134]

Many of England's immigrants are likely to have come from France. Hundreds of thousands of French citizens have reportedly left France in recent decades, in part to avoid high taxes.[135] This exodus also includes tens of thousands of French technology workers who have moved to Northern California.[136]

Germany has not fared much better. In 2007, the *Wall Street Journal* reported that record numbers of highly skilled German workers were fleeing the country, motivated in part by tax considerations.[137]

Tax Hearings] (statement of Craig R. Barrett, Chairman of the Board of Intel Corp.), *available at* http://www.choosetocompete.org/pdf/Barrett_Testimony_060622.pdf.

128. EDWARDS & MITCHELL, *supra* note 6, at 123-24.

129. United Nations, International Migration 2006, http://www.un.org/esa/population/publication/2006Migration_chart/Migration2006.pdf.

130. *Id.*

131. EDWARDS & MITCHELL, *supra* note 6, at 79.

132. *One-Third of Londoners Born Outside Britain*, LONDON EVENING STANDARD, http://www.thisisLondon.co.uk/news/article-23374397-details/One+third+of+Londoners+born+outside+Britain/article.do (last visited Sept. 13, 2009).

133. Kerin Hope, *Greek Ship Owners To Flee UK Taxes*, FIN. TIMES (U.K.), Feb. 12, 2008, at 2, *available at* http://www.ft.com/cms/s/0/bb5bcdba-d90d-11dc-8b22-0000779fd2ac.html?nclick_check=1.

134. EDWARDS & MITCHELL, *supra* note 6, at 95.

135. Celestine Bohlen, *French Anti-Rich Views Make Exiles Wary of Sarkozy Tax Cuts*, BLOOMBERG, July 30, 2007, *available at* http://www.bloomberg.com/apps/news?pid=20601109&sid=aXUGGad1539M&refer=home.

136. EDWARDS & MITCHELL, *supra* note 6, at 91.

137. Joellen Perry, *Exodus of Skilled Workers Leaves Germany in a Bind*, WALL ST. J., Jan. 3, 2007, at A2, *available at* http://online.wsj.com/article/SB116777436404865217.html.

Germany's close proximity to lower-tax Switzerland cannot help.[138] In 2006, Germans formed the largest group of immigrants to Switzerland, making up 24% of the inflow.[139] This has contributed to Switzerland having the second-highest ratio of citizens born abroad in the developed world, at approximately 25%.[140] The executive director of a libertarian-leaning European think tank has opined that "[f]or a very long time Switzerland has seen itself as a refuge for persecuted people [from] around the world," including "victims of confiscatory taxation."[141]

2. Relentless International Business Mobility

The evidence of increased business mobility, spurred in part by tax avoidance considerations, is even more compelling than the evidence for increased labor mobility. A wide variety of examples and statistics support this assertion.

In the mid-1980s, Congress sought to increase tax revenues from the shipping sector of the economy.[142] The result was a reduction in the U.S. share of the open-registry fleet from 26% in 1975 to 5% by the late 1990s.[143]

Such tax responses are by no means limited to traditionally non-U.S. industries. Researchers have found that U.S.-headquartered Microsoft saves $500 million per year by routing its valuable intellectual property through Irish subsidiaries, because it does not want to face high U.S. tax rates.[144] In 2004, $800 billion of U.S.-corporation investment dollars sat abroad for the sole purpose of avoiding taxes that would accrue upon repatriation.[145] When the stakes are high, a corporation can easily justify hiring a bevy of lawyers and accountants to plan strategies that will keep capital out of the United States.

The Netherlands, Ireland, Bermuda, Britain, and Luxembourg, all relatively low-tax countries, regularly report the most profits among U.S. corporate affiliates.[146] In 2004, Ireland alone attracted roughly 8% of

138. OECD, REVENUE STATISTICS 1965-2006, chart A (2007), *available at* http://www.oecd.org/document/58/0,3343,en_2649_34533_39498298_1_1_1_1,00.html.

139. OECD, INTERNATIONAL MIGRATION OUTLOOK 282 (2008), *available at* http://www.oecd.org/dataoecd/58/10/41256566.pdf.

140. EDWARDS & MITCHELL, *supra* note 6, at 97.

141. Pierre Bessard, *The Swiss Tax System: Key Features and Lessons for Policy Makers*, PROSPERITAS, Feb. 2007, at 10, http://www.freedomandprosperity.org/Papers/swiss/swiss.pdf.

142. EDWARDS & MITCHELL, *supra* note 6, at 114.

143. *Id.*

144. John Mutti & Harry Grubert, *The Effect of Taxes on Royalties and the Migration of Intangible Assets Abroad* 2 (Nat'l Bureau of Econ. Research, Working Paper No. W1324, 2007).

145. EDWARDS & MITCHELL, *supra* note 6, at 203.

146. *Id.* at 125.

U.S. foreign-affiliate profits.[147] To provide an example of a U.S. affiliate taking advantage of competitive Irish corporate tax rates, in addition to the well-known example of Microsoft, Edwards and Mitchell note the presence of SanDisk in Ireland.[148]

SanDisk is a California-based company that promotes itself as "the world's largest supplier of innovative flash memory data storage products."[149] Its storage products are used by consumers who own digital cameras and other digital devices.[150] As of September 2009, SanDisk had more than 1100 U.S. patents, and more than 600 foreign patents.[151] The company was founded in 1988.[152]

The *Irish Times* noted that "SanDisk didn't waste any time when it set up in Ireland in April 2005. Within eight months, its main Irish unit had taken in revenues approaching $1 billion . . . and booked profits of $105.95 million."[153] These revenues accounted for almost half of SanDisk's 2005 total revenues.[154] Meanwhile, SanDisk's main unit had no direct employees in Ireland.[155] Its subsidiary, SanDisk International Ltd., employed only eight workers in Ireland.[156]

The *Irish Times* speculated that Ireland's 12.5% corporate tax rate has resulted in an influx of U.S. companies like SanDisk that have "boosted domestic tax revenues in a big way."[157] The United States Treasury has found "ample empirical evidence that the location of capital invested by U.S. [multinational corporations] is sensitive to variations in effective tax rates among foreign locations."[158] In fact, "a typical estimate is that a host country with an effective tax rate 1 percentage point lower attracts about 3 percent more capital."[159] Data reveals that over a fifteen-year period, Ireland increased its corporate tax revenue by a factor of six

147. *Id.*
148. *Id.*
149. SanDisk.com, About SanDisk Corporation, http://www.sandisk.com/Corporate/About/ (last visited Sept. 6, 2009).
150. *Id.*
151. *Id.*
152. *Id.*
153. Arthur Beesley, *Rare Insight into Ireland Inc's Tax Appeal*, IRISH TIMES, Feb. 23, 2007, at A5.
154. *Id.*
155. *Id.*
156. *Id.*
157. *Id.*
158. U.S. DEP'T OF THE TREASURY, TREASURY CONFERENCE ON BUSINESS TAXATION AND GLOBAL COMPETITIVENESS 49 (2007), *available at* http://www.ustreas.gov/press/releases/reports/07230%20r.pdf.
159. *Id.*

in real terms, despite having reduced its corporate tax rate by two-thirds over the same time period.[160]

In addition to the creative use of subsidiaries for tax avoidance, many corporations look to place their headquarters in a tax-friendly country. Several U.S. multinational corporations (MNCs), including DuPont, Hewlett-Packard, and Procter & Gamble, have positioned their European headquarters in tax-friendly Switzerland.[161] Edwards and Mitchell point out that a Swiss government Web site with the headline "Setting up a Business in Switzerland" boasts that the country "is known worldwide for its attractive corporate tax regime," which provides one of the "most competitive" tax rates in the world.[162]

The former chairman of the Council of Economic Advisors[163] has suggested that "from an income tax perspective, the United States has become one of the least attractive industrial countries in which to locate the headquarters of a multinational corporation."[164] One way to examine the accuracy of such a statement is to look at cross-border mergers and acquisitions involving U.S. MNCs.[165] In 2001, two executives from PricewaterhouseCoopers conducted such a study.[166] They found that between 1998 and 2000, three-quarters of such transactions resulted in the U.S. corporation being the target and the foreign corporation being the acquirer.[167] The executives concluded their study by noting that U.S. corporate tax laws have faced continual revision, yet "with little consideration to their effect on global competitiveness."[168] Perhaps this helps explain why the United States went from hosting eighteen of the

---

160. Interview by Courtney Fingar with Alex Salmond, First Minister of Scotland, for FOREIGN DIRECT INV. (June 1, 2008), http://www.fdimagazine.com/news/fullstory.php/aid/2449/An_eye_on_independence.html.

161. EDWARDS & MITCHELL, *supra* note 6, at 122.

162. *Id.* at 122-23 (citing Location Switzerland, http://www.locationswitzerland.com/html/settingupabusiness.html (last visited Oct. 22, 2009)).

163. The Council of Economic Advisors consists of three members who provide economic analysis and advice to the President of the United States. WhiteHouse.gov, Council of Economic Advisors, http://www.whitehouse.gov/administration/eop/cea/ (last visited Sept. 6, 2009).

164. EDWARDS & MITCHELL, *supra* note 6, at 122 (quoting Glenn Hubbard, *Comment on Sen. McCain's Tax Policy Towards U.S. Multinationals*, TAX NOTES INT'L, Mar. 6, 2008, at 1434 (internal quotations omitted)).

165. *Id.* at 123.

166. *New Study Examines Tax Systems Effect on U.S. Global Competitiveness; Reveals Disadvantages for U.S. Corporations*, FIN. EXECUTIVES INT'L, July 31, 2001, *available at* http://prnewswire.com/cgi-bin/stories.pl?ACCT=104&STORY=/www/story/07-31-2001/0001545342&EDATE.

167. EDWARDS & MITCHELL, *supra* note 6, at 123.

168. *New Study Examines Tax Systems Effect on U.S. Global Competitiveness; Reveals Disadvantages for U.S. Corporations*, *supra* note 166 (internal quotations omitted).

world's twenty largest companies' headquarters in 1962 to just eight in 2008.[169]

In 1999, an Intel executive testified to Congress, "[I]f I had known at Intel's founding . . . what I know today about the international tax rules, I would have advised that the parent company be established outside [of] the U.S."[170] Seven years later, Intel's Chairman of the Board testified to Congress that "it costs $1 billion . . . more to build, equip, and operate a factory in the U.S. than it does outside the U.S." and that "most of the $1 billion cost difference (about 70%) is the result of lower taxes" abroad.[171] In addition to the initial cost advantages of building and equipping a factory abroad, the Intel executive specifically noted that every dollar of income kept in Ireland would give the company 87.5 cents to reinvest, whereas Intel would only have 65 cents to reinvest if its profits were repatriated and subject to the U.S. 35% corporate tax rate.[172]

These Intel congressional testimonies were not simply tax-reduction negotiation tactics. In 2006, Intel announced plans to spend $1 billion on Vietnam's first semiconductor facility.[173] To encourage the investment, Vietnam agreed to waive the first four years of corporate taxes for any company operating in its high-tech park in Ho Chi Minh City, including Intel.[174] The offer also stipulated that once these four years expire, there will be more deep tax discounts.[175] When this factory is fully operational, it will employ roughly 4000 workers.[176]

In 2007, Intel's new CEO, Paul Otellini, announced plans to increase the company's investment in its newly created Chinese factories to $4 billion.[177] Mr. Otellini suggested that the decision was driven in part by tax considerations, which he alleged also played a role in Intel's decision to build a new factory in Israel.[178]

---

169. EDWARDS & MITCHELL, *supra* note 6, at 109.

170. *International Taxation: Testimony Before the Sen. Comm. on Fin.*, 106th Cong. (Mar. 11, 1999) (statement of Bob Perlman, Intel Corporation), *available at* http://finance.senate.gov/3-11perl.htm.

171. *Comparative Tax Hearings*, *supra* note 127, at 3-4 (statement of Craig R. Barrett).

172. *Id.* at 5.

173. Margie Mason, *Intel To Invest $1 Billion in Vietnam as Country Strives To Raise High-Tech Profile*, USA TODAY, Nov. 18, 2006, *available at* http://www.usatoday.com/tech/news/2006-11-18-vietnam_x.htm.

174. *Id.*

175. *Id.*

176. *Id.*

177. Jason Dean, *Intel May Expand Technology in New China Plant*, WALL ST. J., Mar. 27, 2007, *available at* http://online.wsj.com/article/SB117493113901049246.html?mod=googlewsj.

178. *Id.*

III. CONCLUSION

This Comment has looked at: (1) whether the United States should cut taxes for the strategic purpose of international competitiveness, (2) which taxes should be targeted in the event that such a strategic cut is implemented, and (3) how much of any such reduction is warranted. A thorough comparative analysis of tax rates among nations throughout the world, and the impacts that those differing tax rates engender, has provided the factual background to answer these questions.

Four major factors suggest that the corporate income tax should be reduced for strategic purposes, while personal income taxes and estate taxes are not in immediate need of competitive readjustment.[179]

First, the estate and personal income tax rates are not widely divergent from rates that prevail around the world.[180] Although the estate tax is relatively high, it has recently allowed for multimillion-dollar exemptions that effectively exclude most people from any federal estate taxation.[181] Conversely, the U.S. corporate tax rate is 14 percentage points higher than the average OECD rate.[182]

Second, corporations have proven to be much more mobile than individuals for purposes of U.S. tax avoidance. Companies like Microsoft, Intel, and SanDisk are redirecting jobs and capital through Ireland and other low-tax countries for purposes of tax avoidance.[183] Yet, in reference to individuals migrating, Edwards and Mitchell concede that "[t]he United States has not had a large exodus of the wealthy, as some European countries have" and that there has been "no American brain drain."[184]

Third, reducing the U.S. corporate tax rate is unlikely to have a significant impact on U.S. tax revenue. Corporate taxes only generate roughly 10% of the government's annual revenues.[185] Moreover, a multitude of researchers suggest that decreasing corporate tax rates often increases tax revenue over time.[186] This has been the case in Ireland,

179. This Comment examines tax rates in terms of international competitive strategy. There may be other reasons for adjusting personal income or estate tax rates.

180. EDWARDS & MITCHELL, *supra* note 6, at 34 fig.3.2, 44 fig.3.6.

181. Yeagle, *supra* note 89, at 1 (noting that in 2009 the first $3.5 million of estate assets is exempt).

182. KPMG Int'l, *supra* note 13, at 13.

183. MUTTI & GRUBERT, *supra* note 144, at 2; *Comparative Tax Policy*, *supra* note 127; Beesley, *supra* note 153.

184. EDWARDS & MITCHELL, *supra* note 6, at 98-99.

185. U.S. CONG. BUDGET OFFICE, *supra* note 46.

186. *See, e.g.*, EDWARDS & MITCHELL, *supra* note 6, at 127, 129, 198.

where the corporate tax rate was decreased to 12.5% and revenue increased as capital flowed into the country.[187]

Fourth, both left-leaning and right-leaning politicians have expressed interest in reducing the corporate tax rate.[188] Bipartisan support will be crucial for the implementation of any major tax overhaul. Congressman Charles Rangel (D-NY), Chairman of the House Ways and Means Committee, has recently introduced his own bill calling for the corporate tax rate to drop by 4.5 percentage points.[189]

Author Thomas Friedman has warned, "The assumption that because America's economy has dominated the world for more than a century, it will and must always be that way[,] is [a] dangerous illusion."[190] Fortunately, by matching Ireland's corporate tax rate of 12.5%,[191] the United States has an opportunity to advance its efforts to reclaim and maintain its role as the economic leader of the world.

---

187. Interview with Alex Salmond, *supra* note 160.

188. *See, e.g.*, EDWARDS & MITCHELL, *supra* note 6, at 197, 199, 201.

189. *Id.* at 199.

190. THOMAS L. FRIEDMAN, THE WORLD IS FLAT: A BRIEF HISTORY OF THE TWENTY-FIRST CENTURY 278 (2005).

191. Beesley, *supra* note 153.