“Ending Corporate Favoritism”

Reforming Corporate Taxes & Subsidies to Create a Level Playing Field

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Executive Summary

The Opportunity

America's corporate tax code is a mess. At 39%, our top tax rate is among the highest in the world, but loopholes mean that many companies pay nothing.[1] This system hurts our economy in several ways.

High corporate tax rates encourage cheating.[2] Small companies under-report their income, while large companies exploit loopholes.[3] As a result, middle-sized companies, which are too big to risk overt non-compliance and too small to lobby for loopholes, bear the burden. These companies pay tax rates higher than their smaller or larger peers and higher than similar companies in Germany and France.[4] Such a tax burden drags down their ability to invest, limiting job creation and economic growth.

Perhaps worse, the whole system creates a culture of corruption.[5] Politicians who help create loopholes raise more money than those who do not. Companies that invest in dodging taxes have lower costs than those that do not. Already, companies spend more than $100 billion annually to comply with taxes, and are steadily increasing spending on lobbying.[6]

Loopholes proliferate, and government revenues suffer[7] – ironically defeating the initial purpose of the high tax rates. If we eliminated the favoritism riddling our tax code, we could lower our actual tax rates considerably, while bringing in more revenue.

The Challenge

Unfortunately, lobbyists and politicians bury their favoritism deep in the tax code and fight tooth and nail when their perks are challenged.[8] As a result, piecemeal solutions will fail. Only a complete overhaul is politically viable.

The Solution: A Straightforward Action Plan

Fortunately, a combination of policy innovations can deliver the needed overhaul:

- ***Recommendation #1: Expose.*** The Government Accountability Office (GAO) should establish a program to track and publicize all business tax expenditures and outright subsidies.
- ***Recommendation #2: Target.*** A bi-partisan Corporate Tax Commission should meet annually to review and recommend elimination of up to $150 billion in annual favoritism (the amount of direct and indirect subsidies and tax expenditures to businesses).[9] The Commission's recommendations will be subject to a no-amendment up-or-down vote by the U.S. Congress. During subsequent years, the Commission will review expenditures and recommend additional reductions as appropriate.
- ***Recommendation #3: Redirect.*** Upon approval of the Corporate Tax Commission's recommendations, the corporate tax rate will be lowered, with reduced tax collections offset by reduced corporate favoritism expenditures to make the reform budget neutral in the first year, with the possibility for using future reforms to reduce the deficit.

This combination of steps attacks the systemic problems that favor the status quo, and will enable a coalition of Americans and corporations to get behind tax reform.

Policy Design

Policy Recommendation #1: Expose.

Identify and track the favoritism. Complexity and deception are the first hurdles facing efforts to streamline the corporate tax code. Ideological debates about the effects of tax breaks on revenues further complicate the analysis. Many institutions, such as the Office of Management and Budget (OMB), are too closely tied to elected officials to be relied upon to publish unbiased assessments.[10] Therefore, the Government Accountability Office (GAO), with its reputation for nonpartisan and effective analysis, should be provided funding to launch a program to monitor tax expenditures.[11]

This program should be provided an annual budget to identify and track the favoritism inherent in business tax expenditures and direct subsidies, and publicize the results in the most user-friendly format possible. These results should be broken out over time, by industry and by total size of expenditures. The baseline against which tax expenditures are measured should be the current progressive corporate tax code without loopholes or exceptions, unless the overall macro structure of the corporate tax code is altered (to be higher or lower, or more or less progressive). Given the significance and difficulty of this task, we recommend a $10 million annual budget for this program (roughly one third of the budget of the Congressional Budget Office (CBO)).

We expect that both the CBO and OMB would review (and sometimes differ from) the publications of the GAO. These political checks from the congressional and executive branches are welcome.

In addition to its other duties, the dedicated GAO program will also directly serve the research needs of the bi-partisan Corporate Tax Commission (discussed below) in helping the Commission to determine the amount that needs to be eliminated in order to reach the relevant targets. In making these calculations, the dedicated GAO program may use either static or dynamic scoring based upon its impartial determination of which would be most appropriate for each individual program.

Policy Recommendation #2: Target.

Launch a bi-partisan Corporate Tax Commission. Historically, high-profile and bi-partisan commissions have been successfully used to lead important reforms of the federal government. The Hoover Commission of 1947[12] and the Base Realignment and Closure Commission (BRACC) of 1988[13] both identified and helped legitimize reforms that would otherwise have been politically difficult. Both models capitalized on high-profile membership from leaders of both parties. The BRACC example is especially germane to this paper as base closing produced "annual savings of $996 million in perpetuity,"[14] despite the intense political pressures that result from closing a major source of local economic stimulus.

- ***We recommend a 9-person bi-partisan Corporate Tax Commission*** with staff support from the GAO. Modeling what has worked in similar situations, the ideal structure should be:
  - One elected executive as chair (ideally a former state governor or a former U.S. president);
  - Four senior legislative branch officials (two from each party, ideally former U.S. senators or senior members of the U.S. House of Representatives);
  - Two senior appointed executives (one from each party, such as former Treasury or Commerce Secretaries, or perhaps IRS Commissioners); and
  - Two senior finance economists (representing each party, with strong academic and ideally government credentials).
- ***Deliver initial cuts.*** The first round of analysis should target $50 billion (or roughly 0.4% of GDP) in annual savings from eliminated corporate favoritism.[15]

- This target, $50 billion, represents about one-third of the approximate value of annual corporate favoritism via subsidies (direct or indirect payments from the Treasury) and tax expenditures (reductions in tax bills resulting from special provisions). This is an aggressive but feasible target for a well-executed program; to put it in perspective, the total value of all agricultural subsidies in 2006 was about $44 billion.[16]
- Congress would vote on the recommendations on a single, up-or-down, no-amendment vote.
- If the recommendations are approved, they would be implemented by the Department of the Treasury. The first round of cuts would be phased in over a short period (i.e. 2-3 years) so that businesses would have time to adjust their financial projections to the new reality. The exact length and type of phase-in can be determined by the Commission, but it is important for economic stability that businesses face consistent, predictable tax rules. A short phase-in period is one way to provide such stability.
- To insulate policymakers from unnecessary political and lobbying pressure, the corporate favoritism reforms should be written so that neither regulators nor lawmakers have to take affirmative steps for the sunset to stay in effect.[17]
- Simultaneous with the phased-in eliminations of corporate favoritism, the statutory corporate tax rate must be reduced by an amount designed to make the entire program "budget neutral." In other words, the savings from eliminating perks would be shared across all taxpaying companies.

- ***Ongoing maintenance.*** Just as the BRACC needed to meet periodically to recommend new base closures, the bi-partisan Corporate Tax Commission should be reconstituted every two years to review the federal budget and recommend new cuts to ensure, at a minimum, that the updated corporate tax rates remain low, simple, and evenly applied. Additional savings could also be directed to lowering the corporate tax rate still further or reducing federal budget deficits.

  This ongoing maintenance role should reduce the incentives for corporations to lobby for special favoritism, as specific favoritism will likely be identified and eliminated within two years.

Policy Recommendation #3: Redirect.

- ***Lower the effective corporate tax rate.*** Eliminating $50 billion in corporate favoritism could reduce the effective corporate tax rate by more than 3 percentage points. The savings from reduced expenditures paid to a small group of corporations will be redirected toward all corporations by reducing required tax collections – resulting in a neutral impact to the budget. Over time, more aggressive reductions of $100 billion, or two-thirds of current subsidies and tax expenditures, could put the United States corporate tax rate within the median of OECD country rates.[18] This is a conservative estimate, per the assumptions in the economic analysis section of this proposal. More aggressive action by the Commission could lead to even greater rate reductions.

  This reform is not a "flat" tax. This proposal is neutral as to whether the corporate tax rate is progressive or not. The current progressive structure can be maintained by reducing tax rates across the spectrum.[19] In addition, this proposal assumes that overall corporate tax income will remain the same.

Economic Analysis

The federal corporate statutory tax rate in the United States reaches levels as high as 39% based on income. However, in 2006, the overall effective tax rate on all corporations was only 23%. This dramatic difference is largely attributable to the significant corporate favoritism programs that exist to benefit a small group of recipients.

Corporate favoritism programs cut taxes for 275 companies by $71 billion in 2003.[20] Direct and indirect subsidies to corporations in 2006 amounted to $92 billion (including direct payments and grants to corporations).[21] Tax expenditures for corporations add up to another $60 billion (including "revenue losses due to tax exclusions, exemptions, deductions, credits, preferential rates or deferrals").[22] Indeed, this estimate of corporate favoritism is conservative, as it does not include preferential trade barriers and other items, such as meals and entertainment deductions or offshore tax shelters. It is difficult to estimate the full impact of items that do not result in direct subsidies, indirect subsidies, or tax preferences as there is little tracking data available today.

Corporate favoritism perpetuates a system that benefits a small group of corporations with significant lobbying power, causes other corporations to pay a higher statutory rate, and continues to erode our overall corporate tax revenues.

Elimination of one third of corporate favoritism expenditures redirected toward reduced tax collections would allow a greater than 3% reduction in the overall effective tax rate with a neutral effect to the overall budget.[23] This would be a significant step toward normalizing the tax rate among corporations and create the opportunity to offer a lower tax rate to all corporations.[24]

TABLE 1: Estimated Reduction to Effective Tax Rate
After Year 1 of Corporate Favoritism Reduction – 2006 (in Billions)

	2006 (in Billions)	
Total Corporate Income	1,548.5	
Total Tax Collections	353.9	
Effective Tax Rate		**22.9%**
Direct & Indirect Corporate Subsidies	(90.0)	
Corporate Tax Expenditures	(60.0)	
Total Corporate Favoritism	(150.0)	
30% Elimination - Year 1 Goal	(50.0)	
Total Tax Collections, net of savings	303.90	
Effective Tax Rate, net of savings		**19.6%**
Reduction to Overall Effective Tax Rate		**3.2%**
Reduction in Tax Collections	(50.0)	
Reduction in Corporate Favoritism	50.0	
Net Effect to Budget		$ -

Political Discussion

The billions of dollars in direct and indirect subsidies given to businesses and private-sector corporate entities are spread among millions of taxpayers, who have little idea what they are funding.[25] Instead of tax dollars being spent on well-needed reforms, the federal government provides hand-outs to some of America's largest corporations, including many Fortune 500 companies and household names.[26] Government also subsidizes the pet projects of members of Congress through pork-laden legislation, reaching a high (or "low") point in the 2004 corporate tax bill, which contained $137 billion in tax breaks, including a targeted $44 million tax reduction to help import Chinese ceiling fans, $9 million in tax breaks on bows and arrows, and $11 million in reduced excise taxes on fishing tackle boxes.[27]

These examples demonstrate the potential populist appeal of attacks on corporate favoritism. Citizens are not only disgruntled by the waste of billions of tax dollars,[28] but also frustrated by the unfairness of mid-sized businesses paying full freight while large corporations receive steep discounts.[29] With citizens on board to cut wasteful spending, independent business leaders will be strong proponents as well. The National Federation of Independent Business Leaders, the nation's largest advocacy group of small business leaders, is continuously involved in efforts to cut corporate subsidies and create a more level playing field.[30]

Both the political left and right support corporate favoritism reform, as evidenced by the reform efforts sponsored by diverse leaders from across the political spectrum. For example, in the late 1990s, Republican John McCain and Democrat Edward Kennedy proposed to revive legislation creating a Corporate Welfare Commission to disclose and account for all corporate subsidizes.[31] In addition, conservative Republican Pat Toomey used his personal experience as a small business owner to attack corporate favoritism not only as a waste, but also "downright fraudulent behavior."[32] In 2001, Toomey partnered with liberal Democrat, and current House Speaker, Nancy Pelosi to co-sponsor H.R. 2939, The Corporate Welfare Reform Commission Act, which was developed to review, reform, and terminate unnecessary and inequitable federal payments, benefits, services, and tax subsidies to all businesses.[33] Since the election of the 104th Congress in 1994, over thirty-five bills and dozens of amendments have been introduced by Republicans and Democrats calling for the abolition of various government programs labeled corporate favoritism.[34] Indeed, eliminating corporate favoritism is supported by a broad range of conservative and liberal politicians and interest groups.

Thus far, these initiatives have failed. They have often been killed in committee due to the influence of large corporate lobbyists and also the powerful members of each chamber's appropriations committees, who benefit from the current system.

For example, between 1995 and 2000, Archer Daniels Midland (ADM), a company with annual revenues exceeding $16 billion, received tax favors and subsidies that cost taxpayers $3.5 billion. In exchange, Democratic politicians received over $1 million and Republican politicians received nearly $2 million.[35] For ADM, this is a great investment – a $3.5 billion return on a meager $3 million investment. For the politicians, that $3 million is free money, paid for by taxpayers.

The proposal herein is designed to break the logjam by building an alliance among the many factions opposed to corporate favoritism. By directly tying corporate savings to a lower corporate tax rate, the small business community and anti-tax communities will have a direct stake in pushing Congressional committees to send this proposal to the floor of each chamber. Once in the full chamber, a majority vote can be achieved: few political leaders would vote against a general attack on corporate welfare. Alternatively, this proposal could be used by a 2008 presidential candidate to demonstrate both fiscal and political savvy, which in turn would lend the weight of the national press to the proposal.

Rebuttals

"By using the savings from reduced subsidies to lower corporate tax rates, doesn't this proposal lose its populist appeal?"

Response: Leveling the corporate playing field has populist appeal. Small businesses remain popular with Americans,[36] and this proposal would tap into the common American preference for smaller players and "underdogs." As one example of the potential populist appeal of this type of initiative, *USA Today's* editorial page recently endorsed a more general initiative by President Bush to slash corporate tax rates and fund the cuts by closing loopholes and tax subsidies.[37]

"Politicians will never support a broad-based reform such as this."

Response: A bi-partisan commission will build consensus within the business community. In addition, this reform has very broad popular appeal because many small and mid-size business owners will benefit from a lower corporate tax rate.

- A bi-partisan commission allows for involvement and buy-in from a wide spectrum of business leaders.
- The proposed corporate favoritism cuts are focused on eliminating provisions that were established in response to strong lobby pressures rather than sound economic policy, with savings targeted toward helping implement a leveled and lower tax base.

"The subsidies support corporate stability. If subsidies are cut, people will lose jobs."

Response: The most egregious subsidies do not support significant numbers of jobs.

- Export support program – The majority of these programs tend to benefit large corporations and small to mid-size exporters have difficulty even realizing their benefits. In 2001, "more than 60% of the U.S. Ex-Im [Export-Import] Bank's loans and long-term guarantees went to just three corporations, and almost 90% went to just ten."[38]
- 55 farmers cashed federal crop subsidies worth more than $1 million each in 2003 through 2005.[39]

"We should focus on lowering individual income tax, not corporate income tax."

Response: Corporate tax reform will support the stability and presence of domestic corporations, directly influencing the number of available jobs. A lower corporate tax rate (normalized to similarly situated countries) is likely to encourage more international firms (or domestic firms who have shifted abroad) to relocate in the United States. In addition, a lower corporate tax rate will have the largest effect on small and mid-sized businesses, which are the source of most job creation in the U.S.[40] Small and mid-sized businesses:

- Represent 99.7% of all employer firms
- Employ 50% of all private sector employees
- Pay more than 45% of total U.S. private payroll
- Generated 60% to 80% of net new jobs annually over the last 10 years
- Create more than 50% of non-farm private GDP
- Employ 41% of high tech workers

"Why do we need a Commission?"

Response: Corporate favoritism is deeply entrenched in our tax code. Only a truly independent, bi-partisan commission with an exclusive mandate to eliminate corporate favoritism will be able to succeed.

"Isn't this really about farm policy? Don't we need to protect farmers?"

Response: The current farming subsidy structures do not benefit small farmers

- The majority of farming subsidies go to commercial farms with average incomes of $200,000 and net worth of nearly $2 million.[41]
- Each year, 10% of subsidy recipients collect three-fourths of the money – about $91,000

a year per farm. Those in the "bottom 80%" receive less than $3,000 a year, according to the Environmental Working Group's Farm Subsidy Database.

About Hope Street Group Policy Papers

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[1] Scott Hodge and Chris Atkins, "U.S. Lagging Behind OECD Corporate Tax Trends," *Tax* Foundation, Fiscal Fact no. 55, (May 5, 2006). Online. Available: http://www.taxfoundation.org/news/show/1466.html. Accessed: November 5, 2007.
[2] Daniel J. Mitchell, "The Global Race for Lower Corporate Tax Rates," *The Caijing,* (June 21, 2007). Online. Available: http://www.cato.org/pub_display.php?pub_id=8382. Accessed: November 5, 2007.
[3] Michelle Hanlon, et al., "An Empirical Examination of Corporate Tax Noncompliance," (paper presented at a conference on "Taxing Corporate Income in the 21st Century," jointly sponsored by the Office of Tax Policy Research at the Stephen M. Ross School of Business at the University of Michigan and the Robert D. Burch Center for Tax Policy and Public Finance at the University of California, Berkeley, June 24, 2005).
[4] Editorial, "Cut corporate tax rates? Not as silly as it sounds," *USA Today* (September 17, 2007), p.11A. (The USA's nominal tax rate is now second highest among industrialized nations to Japan). Online. Available: http://blogs.usatoday.com/oped/2007/09/our-view-on-the.html. Accessed: November 5, 2007.
[5] Ibid. "in any given year it is not hard to find corporations that pay no taxes at all, while others pay up to the full 35% . . . making the tax code a vehicle for companies to curry favor and for Congress to reward, or punish, them based on political activity."
[6] *See, e.g.,* Scott Hodge, et al., "The Rising Cost of Complying with the Federal Income Tax." *The Tax Foundation*, (January 2006). "...in 2005, businesses spent $148 billion on tax code compliance, representing 56% of the economy's overall burden of tax code compliance." *See also* Robert Repetto, "Best Practice in Internal Oversight of Lobbying Practice," *Yale University School of Forestry and Environmental Studies*, (September 2006). "...overall lobbying expenditures grew 8.2% annually between 1998 and 2004, more than double the national rate of economic growth during that period."
[7] *See, e.g.*, Michael Mazerov, "Closing Three Common Corporate Income Tax Loopholes Could Raise Additional Revenue for Many States," *Center on Budget and Policy Priorities*, (May 2003). "...state corporate tax revenues have declined from 10.2% in 1979 to 6.3% in 2000 due to corporate tax avoidance." Online. Available: http://www.cbpp.org/4-9-02sfp.htm. Accessed: November 5, 2007.
[8] Steve Tidrick, "The Budget Inferno," *The New Republic*, (May 29, 1995), pp. 17-25. Republished in The *New Republic Guide to the Issues: The '96 Campaign* (New York: Basic Books, 1996).
[9] Estimates for direct and indirect subsidies to corporations come from Stephen Slivinski, "The Corporate Welfare State: How the Federal Government Subsidizes U.S. Business." *The Cato Institute*, policy analysis no. 592, Table 1, (May 14, 2007). Online. Available: http://www.cato.org/pub_display.php?pub_id=8230. Accessed: November 5, 2007. Estimates for tax expenditures come from citations of Department of Treasury and Joint Committee on Taxation estimates in "Tax Expenditures Represent a Substantial Federal Commitment and Need to be Reexamined," General Accounting Office Report 05-690, November 2005. (Hope Street Group excluded tax expenditures related to accelerated depreciation provisions which are no longer in effect.) Available: http://www.gao.gov/new.items/d05690.pdf Accessed: December 14, 2007.
[10] Even the Congressional Budget Office, which has traditionally had a reputation for nonpartisan analysis, because it serves both parties in Congress, is structurally subject to influence by the majority party. *See, e.g.,* John Frendreis and Raymond Tatalovich, "Accuracy and Bias in Macroeconomic Forecasting by the Administration, the CBO, and the Federal Reserve Board," *Polity*, vol. 32, no. 4 (Summer, 2000), pp. 623-632. *See, e.g.,* George A. Krause, J. W. D, "Does agency competition improve the quality of policy analysis? Evidence from OMB and CBO fiscal projections." vol. 25 (2006), pp.53-74.
[11] The GAO is headed by the Comptroller General of the United States, a non-partisan position in the U.S. Government. The Comptroller General is appointed by the President, by and with the advice and consent of the Senate, for a 15-year, non-renewable term. The President selects a nominee from a list of at least three individuals recommended by an 8 member bi-partisan, bicameral commission of congressional leaders. The Comptroller General

may not be removed by the President, but only by Congress through impeachment or joint resolution for specific reasons. Since 1921, there have been only 7 Comptrollers General, and no formal attempt has ever been made to remove a Comptroller General.

[12] The Hoover Commission, officially named the "Commission on Organization of the Executive Branch of the Government," was a body appointed by President Harry S. Truman in 1947 to recommend administrative changes in the Federal Government of the United States. It took its popular name from former President Herbert Hoover, who was appointed by Truman to chair it. Authorized by Congress in the Lodge-Brown Act of 1947, the commission first met September 29, 1947. Besides Hoover, its members were former Postmaster General and Franklin Delano Roosevelt's campaign manager James Farley, Secretary of State Dean Acheson, Senator George Aiken of Vermont, Representative Clarence J. Brown, Secretary of Defense James V. Forrestal, Civil Service Commissioner Arthur S. Flemming, former Ambassador Joseph P. Kennedy, political scientist James Kerr Pollock, attorney James H. Rowe, Representative Carter Manasco of Alabama, industrialist George Mead and Senator John L. McClellan of Arkansas. Aiken, Brown, Flemming, Hoover, Mead, and Pollock were Republicans. Acheson, Forrestal, Kennedy, Manasco, McClellan, and Rowe were Democrats. The commission was supported by a large staff and numerous expert task forces. In early 1949, the commission forwarded its findings and a total of 273 recommendations to Congress in a series of nineteen separate reports. A 1955 study concluded that 116 of the recommendations were fully implemented and that another 80 were mostly or partly implemented.

[13] Conceived by Dick Armey, the BRACC process was developed in an attempt to achieve the government's goal of closing and realigning military installations despite the political challenges that often arise when facilities face reduction or elimination. Because a military base can bring millions of dollars in federal money to its surrounding area each year, challenges raised by members of Congress from affected districts make such initiatives very difficult. Congress created the BRACC process in 1988 as a politically palatable method to pursue such goals.

[14] Dell, R., Optimizing army base realignment and closure, in INTERFACES. 1998, Institute for Operations Research and the Management Sciences. p. 1-18.

[15] This proposal is limited to Subchapter C entities and excludes flow through entities, like entities electable under Subchapter S of the Internal Revenue Code. The chief difference between Subchapter S and Subchapter C small businesses is that Subchapter S allows shareholders to pass profits and losses through to their individual tax returns, whereas Subchapter C profits are taxed at the corporate level and are often retained with the firm, thus not appearing on the stockholder's individual tax return.

[16] Stephen Slivinski, "The Corporate Welfare State: How the Federal Government Subsidizes U.S. Business." *The Cato Institute*, policy analysis no. 592, Table 1, (May 14, 2007). Online. Available: http://www.cato.org/pub_display.php?pub_id=8230. Accessed: November 5, 2007.

[17] The EGTRA sunsets are unprecedented; however, if a sunset provision is written so that a lawmaker has to take 1) affirmative actions and 2) actions unpopular with his/her constituents, then the sunset provision may not be enacted. The enactment could lead to inefficient policy, if the sunset provision is part of a larger compromise or policy agenda.

[18] Chris Atkins and Scott A. Hodge, "U.S. Still Lagging Behind OECD Corporate Tax Trends," *Tax Foundation*, Fiscal Fact no. 96, (July 24, 2007). Online. Available: http://www.taxfoundation.org/news/show/22501.html. Accessed: November 5, 2007.

[19] For an overview of corporate tax rates, see http://www.irs.gov/pub/irs-soi/02corate.pdf

[20] Citizens for Tax Justice, *Surge in Corporate Tax Welfare Drives Corporate Tax Payments Down to Near Record Low*, (April 17, 2002). Online. Available: http://www.ctj.org/html/corp0402.htm. Accessed: November 5, 2007.

[21] Slivinski, 2007. Slavinsky's number is a list of all direct and indirect subsidies that were made to corporations. Direct includes like cash payments to farmers and dollars for research. Indirect includes funding for promotion of products and industries overseas. The $92B ONLY includes direct Federal expenditures. It does NOT include tax preferences and expenditures which increase the full value of corporate welfare.

[22] U.S. General Accounting Office Report, "*Tax Expenditures Represent a Substantial Federal Commitment and Need to Be Reexamined*," GAO-05-690, (September 2005). Online. Available: http://www.gao.gov/new.items/d05690.pdf. Accessed: December 31, 2007.

[23] (a) 2006 corporate income obtained from U.S. Department of Commerce, Bureau of Economic Analysis, Table 1.14 National Income and Product Accounts Table, Line 32. Online. Available: http://www.bea.gov/bea/dn/nipaweb/TableView.asp#Mid. Accessed: November 3, 2007. (b) 2006 corporate tax revenue obtained from the U.S. Office of Management and Budget, *The Budget for Fiscal Year 2008*, Budget, Historical Tables; Table 2.1 (Washington, DC, 2007), p. 29. Online. Available: www.whitehouse.gov/omb/budget/fy2008/pdf/hist.pdf. Accessed: November 5, 2007. (c) Estimate of corporate favoritism from Slivinski, 2007.

[24] All estimates are static estimates. For a description of static scoring, see N. Gregory Mankiw and Matthew Weinzierl, "Dynamic Scoring: A Back-of-the-Envelope Guide," Harvard Institute of Economic Research Discussion Paper no. 2057, pp. 8-9 (January 2005). Online. Available: http://ssrn.com/abstract=650261. Accessed: November 5, 2007.

[25] Andrew Biggs and Maya McGuineas. "Cutting Corporate Welfare Could Fund a Bush Social Security Plan," *Cato Institute*, (January 6, 2003). Online. Available: http://www.cato.org/pub_display.php?pub_id=2943. Accessed: November 5, 2007. Time magazine estimated in 1998 that corporate welfare costs taxpayers $125 billion annually, a

figure that includes "tax expenditures" granting exemptions to favored industries. Although the exact amount of money given to these industries is known to a few Washington insiders, the public generally has no idea what their tax money is funding. Additionally, Bush's proposal for Social Security could be heavily funded, if not fully covered, if the government eliminated corporate welfare.
[26] Slivinski, 2007. The federal government spent $92 billion in direct and indirect subsidies to businesses and private-sector corporate entities — expenditures commonly referred to as "corporate welfare" — in fiscal year 2006. Supporters of corporate welfare programs often justify them as remedying some sort of market failure. Often the market failures on which the programs are predicated are either overblown or don't exist, yet the government continues to give out subsidies to multi-million dollar companies.
[27] Edmund Andrews, "How Tax Bill Gave Business More and More," *New York Times*, (October 13, 2004). Online. Available: http://www.nytimes.com/2004/10/13/business/13corptax.html?pagewanted=1. Accessed: November 5, 2007.
[28] Herbert McClosky and John Zaller, *The American Ethos: Public Attitudes Toward Capitalism and Democracy*. (Cambridge: Harvard University Press, 1984).
[29] John W. Pope Civitas Institute, *September DecisionMaker Poll*, (September 2007). Online. Available: http://www.jwpcivitasinstitute.org/files/2007-September-Poll.pdf. Accessed: November 5, 2007. A sample of South Carolinians were asked, "Do you think the State should give big corporations cash payments taken from the taxes paid by small business and average taxpayers?" Eighty percent of respondents said "no."
[30] National Federation of Independent Business Leaders, *National Agendas: Tax Relief*. Online. Available: http://www.nfib.com/page/taxRelief.html. Accessed: November 3, 2007. The National Federation of Independent Business Leaders is the nation's leading business advocacy association, which lobbies for various issues of healthcare, tax relief, immigration, labor issues, legal and social security reform, and technological issues.
[31] Daniel Egan, "Challenging Corporate Welfare: Government Subsidies and a Healthy Society." (paper presented at a regional conference on "Approaches to Sustainable Development,: at the University of Massachusetts – Lowell, 2002). Republican and Democratic organizations have supported bills for elimination of corporate welfare in the past, yet they have been constrained by conflicts over the definition of the term.
[32] Club for Growth, "Corporate Welfare Motto," (May 23, 2005). Online. Available: http://www.clubforgrowth.org/2005/05/corporate_welfare_motto.php. Accessed: November 5, 2007. Patrick Toomey founded the conservative organization Club for Growth, which aims to promote economic growth through legislative involvement.
[33] *Corporate Welfare Reform Commission Act of 2001*, House Resolution 2939, 107th Congress, 1st Session (2001). Online. Available: http://thomas.loc.gov/cgi-bin/query/D?c107:1:./temp/~mdbsWhgavX::. Accessed: November 5, 2007. The Corporate Welfare Reform Commission Act of 2001, H.R. 2939 was sponsored by Representative Joseph Hoeffel with 11 co-sponsors including Senator Pelosi. The last major action was referral to the House Committee on Government Reform in September 2001.
[34] Egan, 2002.
[35] Deroy Murdock, "To Bring Welfare Reform Full Circle, Wean Millions off the Public," *Insight on the News*, (August 23, 1999). Online. Available: http://findarticles.com/p/articles/mi_m1571/is_31_15/ai_55553487. Accessed: November 5, 2007. It is estimated that $75 billion in corporate tax money is wasted every year due to corporate welfare, creating corporate winners and losers. Although progressive think tanks have proposed numerous corporate welfare recommendations, the average corporate subsidy to a large corporation has actually grown 10% in the past decade.
[36] Steven Kull, et al., "Americans on CAFTA and U.S. Trade Policy." *Program on International Policy Attitudes (PIPA)/Knowledge Networks Poll*, (July 11, 2005). Online. Available: http://65.109.167.118/pipa/pdf/jul05/CAFTA_Jul05_rpt.pdf. Accessed: November 5, 2007. Although most Americans are opposed to subsidizing large farming business, over 70% favor need-based subsidies for small farming businesses. "Seventy percent of respondents opposed providing subsidies to large farming businesses and only 9 percent favored providing subsidies to large farming businesses on a regular annual basis....On the other hand, 74 percent favor providing subsidies to small farms (under 500 acres)."
[37] Editorial, "Cut corporate tax rates? Not as silly as it sounds," *USA Today* (online). "...reform on the corporate side would free companies to focus more on core business issues and less on manipulating Washington."
[38] Aaron Goldzimer, "Globalization's Most Perverse Secret: The Role of Export Credit and Investment Insurance Agencies," *Environmental Defense*, p.11. Online. Available: www.environmentaldefense.org/pdf.cfm?ContentID=2487&FileName=Globalizations_Secret.pdf. Accessed: November 5, 2007.
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