The Growth and Opportunity Imperative for America

How Pro-Growth Tax Policy Raises Wages, Improves the Economy

The U.S. Chamber of Commerce is calling on all candidates and elected officials to embrace the Growth and Opportunity Imperative for America, establishing a goal of at least 3% economic growth annually and prioritizing policies that will support faster sustained economic growth.

Ensuring that America has a pro-growth tax code is central to this effort.

Next year, lawmakers will have the opportunity to advance pro-growth tax policy as they work to avoid the largest tax increase in American history, which will otherwise occur automatically at the end of 2025, when many important individual, business, and estate tax provisions are scheduled to expire.

The next Congress and administration must pursue comprehensive, industry-neutral solutions for a pro-growth and globally competitive U.S. business tax system. Thoughtful tax policy can drive economic growth while improving fiscal responsibility. Policymakers must weigh the trade-offs and make informed choices to effectively shape the nation's tax system.

The Next Congress and Administration Must:

1

Preserve our newly competitive business tax rates (i.e., 21% corporate income tax rate, 20% pass-through deduction for qualified business income);

2

Ensure a competitive business tax base (e.g., one that allows a deduction for research and development (R&D) expenses, full capital expensing for certain business assets, and a pro-growth interest deductibility limitation); and

3

Maintain the competitiveness of the U.S. international tax system—for both U.S. companies operating abroad and foreign companies investing in the United States—while preserving our corporate tax base.

Scan the QR code to read more on how pro-growth tax policy raises wages and improves the economy.

The 2017 Tax Reforms

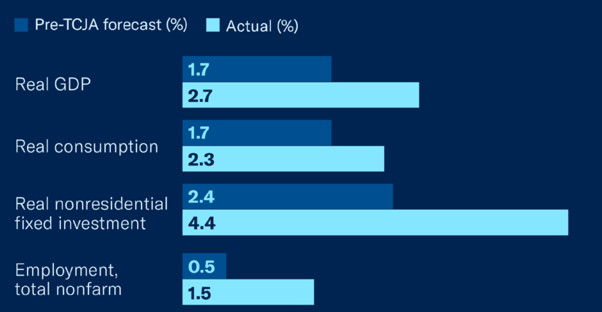
In December 2017, Congress passed the landmark Tax Cuts and Jobs Act (TCJA), the most comprehensive tax reform legislation to be enacted since 1986. The TCJA lowered and simplified the federal income tax burden on American families and workers, and it substantially modernized the United States' approach to taxing business and investment income.

Many of the TCJA's provisions were designed to foster greater economic growth.

Impact of Pro-Growth Tax Reforms

To assess the economic impact of pro-growth tax reforms, one approach is to compare actual economic performance after the changes were implemented with anticipated performance before any changes. By examining the economy's performance following the TCJA's enactment in 2017 through the onset of the pandemic in 2020, and comparing it with prior economic forecasts, we can better understand the directional impact of the law's reforms.

Major economic indicators outperformed pre-TCJA estimates



Source: Congressional Budget Office, CATO Analysis. "An Update to the Budget and Economic Outlook: 2017 to 2027," June 29, 2017; Bureau of Economic Analysis, Table 1.1.3 Real Gross Domestic Product, Quantity Indexes; and Bureau of Labor Statistics, All Employees, Thousands, Total Nonfarm, Seasonally Adjusted; Kyle Pomerleau and Donald Schneider, "Making the Tax Cuts and Jobs Act Permanent," American Enterprise Institute, April 8, 2024.

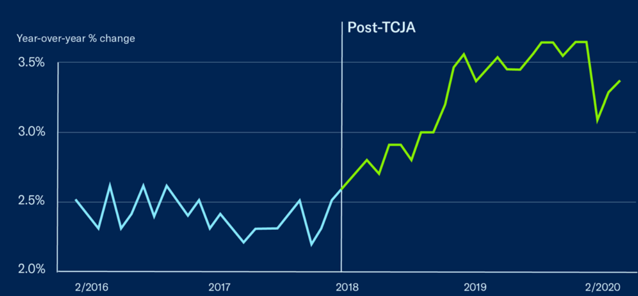
Tax Policy, Federal Revenue and Deficits

The major driver of current federal deficits is excessive spending. As the data indicate, spending has well exceeded the historical average as a percentage of the economy, while revenue has largely mirrored the historical average.

Total federal outlays and revenues

Source: Congressional Budget Office. "The Budget and Economic Outlook" February 7, 2024

Wage growth increases after TCJA, production and non-supervisory workers



Source: U.S. Bureau of Labor Statistics, "Average Hourly Earnings of Production and Nonsupervisory Employees, Total Private, Seasonally Adjusted."

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