A Mapping of the Full Potential of US Corporate Taxation to Enhance Child and Family Well-Being

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Introduction

For decades, dueling claims about corporate taxation and its assumed effects on children and families have shaped US policy. From the “cut-to-grow” perspective, corporate taxation is taken to be a nuisance, providing revenue for the functioning of government but inhibiting economic growth and job creation, and thus the ability of families to care for themselves and their children (York 2018). The counter perspective of those who favor raising corporate taxes argues that increasing corporate taxation will *necessarily* help children and families by providing additional revenue for essential public services (Milani et al. 2019). The problem is that the first assumption is mostly wrong in practice (Brun et al. 2023). The issue with the second is that it is understudied.

In order to understand the evidence underlying these assumptions, this Roosevelt Institute report—one of two in a series centered on corporate taxation and well-being—maps out the various pathways through which corporate taxation affects the well-being of children and families in the US. The report opens with an explainer on corporate taxation in the US context, then proceeds to explore some key enabling conditions for child and family well-being. Finally, we bring these two together to understand the pathways by which US corporate taxation affects the enabling conditions for children and families to flourish, including an examination of how taxing corporations simultaneously plays roles in raising revenue to fund public-interest programs, pre/redistributing resources, restructuring markets, and enhancing—or undermining—democratic representation.

What Is Corporate Taxation?

I. What Is Corporate Taxation?

Various goals justify and drive corporate taxation, most importantly to raise revenue for public services, to balance out unequal distributions of economic resources, to regulate economic activity, and, more broadly, to build public trust in democracy. Throughout US history, the corporate tax has also been seen as a way for companies to pay for the real, material privilege of the government[1] protecting its limited liability legal status.[2]

Business entities in the US pay, principally, federal income tax; state income tax where applicable; and state and local property taxes. The way business owners choose to incorporate their enterprise under the law affects how and which, if any, of these taxes apply. Businesses enjoy various organization options, even when commercial activities across entities are similar. As we show, this allows for tax avoidance in plain sight.

The largest, most profitable, and most well-known firms in the US are C-corporations (or C-corps)—legal structures in which a business's owners and shareholders are taxed separately from the business entity. Importantly, C-corps are the only type of business subject to federal and/or state corporate income tax. In simple terms, taxable corporate profits are equal to a corporation's earnings minus allowable deductions (including the cost of employee compensation, other taxes, and depreciation) (Tax Policy Center 2022b). The corporate income tax is levied at the entity level before a company redistributes after-tax profits, and then shareholders pay a separate tax at the individual level on realized capital gains and any dividend payouts.

This has led to a false narrative that C-corps are "double-taxed." In reality, a large share of corporate income escapes taxation altogether (Clausing 2020a), and the US government does not tax about 70 percent of all US equity income at the individual level because it is either held by un-taxable individuals (e.g., nonprofits), is held in untaxed accounts (e.g., pensions and retirement accounts), or is held by non-US citizens. Even assuming both the corporation and the shareholders pay the top applicable statutory rates in full (21 percent and 20 percent, respectively)—which few, if any, do—the total 41 percent statutory rate of both the corporate income tax and the relevant shareholder tax is only 0.02 percent more than the top marginal rate on personal income of 40.8 percent.[3] There is little here to suggest a "double tax" of corporate income compared to personal income for the top end.

While the largest, most profitable US businesses are typically C-corps, the majority of businesses in the US are organized as "pass-throughs," whose profits flow through the business entity to owners, and are then taxed as individual personal income with its own graduated rate structure (Tax Policy Center 2022b). Though not the focus of this project, the tax treatment of these businesses—which include S-corporations, sole proprietorships, proprietorships, and limited liability companies (LLCs)—is an outstanding problem in the US tax code, exacerbating income and wealth inequality, reducing government revenues, and distorting pure business decisions.[4] Pass-through enterprises receive beneficial differential tax treatment at the federal level (for instance, through the generous 20 percent deduction on pass-through income in the 2017 Tax Cuts and Job Act's [TCJA]), as well as legal carve-outs from certain taxes to which other businesses are subject (like the Medicare surcharge) (Looney 2021).

1 LLC status is provided under state statute, and regulations governing LLCs vary across states.

2 See, for example, Franklin D. Roosevelt in 1935: "[t]he advantages and the protections conferred upon corporations by Government increase in value as the size of the corporation increases . . . it seems only equitable, therefore, to adjust our tax system in accordance with economic capacity, advantage and fact" (Roosevelt 1935).

3 The total 41 percent rate of both corporate income and shareholder taxation is only a few points above the top marginal rate on personal income (37 percent) (Tax Policy Center 2022b). A 3.8 percent net investment income tax (NIIT), which applies to individuals who report investment income above a certain level from things like dividends and capital gains, applies on top of that—making the top rate for wealthy individuals 40.8 percent.

4 The tax advantages of certain business forms over C-corps are relatively recent, dating back to the 1970s and 1980s when the top individual income rate fell below the corporate rate and state legislation loosened regulations on eligibility for LLCs (Cooper et al. 2015).

Moreover, because the ownership structure of certain pass-throughs is opaque, these businesses' owners are able to more easily commit tax evasion. Data suggests the evasion rates are 11 percent and 56 percent for partnership and sole proprietor income, respectively—compared to just 1 percent for wage income (Gale and Haldeman 2021a). If the relative shares of pass-through and C-corp activity were held constant at 1980 levels, the federal government would have raised more than $100 billion *per year* in additional revenue (Cooper et al. 2015). What's more, high-income households capture the lion's share of pass-through income. In fact, pass-through business income accounts for nearly half of the increase *in the overall spike* in the top 1 percent share of national income since the 1970s (Looney 2021).

At the same time, driven by consistent cuts to the statutory rate and base erosion from systematic corporate tax avoidance, the size of corporate tax contributions to the economy has shrunken precipitously from 6 percent of GDP in 1951 to only 1.3 percent of GDP today (Federal Reserve Bank of St. Louis 2023). The TCJA lowered the federal corporate income tax even further to a flat 21 percent (Tax Policy Center 2022b).[5] Because the top 1 percent of Americans capture about 45 percent of C-corp income, declining corporate taxation in recent decades has helped drive increases in income and wealth inequality in the US (Looney 2021). In parallel, 44 states and the District of Columbia impose a state corporate income tax, but statutory rates vary—from 2.5 percent in North Carolina to 9.8 percent in Minnesota (Tax Policy Center 2023).

While corporate tax contributions have summarily dropped in recent decades, the legal protections bestowed by the public to these same businesses have only strengthened. Limited liability—a cornerstone feature of US business formation wherein an investor's financial liability is limited to the extent of their investment—poses particular challenges to the well-being of children and families. In practice, liability protection means that if a company's behavior results in harm, its owners and shareholders don't face consequences. It applies to all business forms, but C-corps offer the strongest liability protection (Small Business Administration 2023).

Contributing to the public through the payment of the corporate tax has long been justified for a number of reasons, including to pay for this extensive degree of immunity. But importantly, that protection is itself harmful for children and families. When companies aren't held liable for their harmful behavior, workers and their families bear the costs. As a recent example, big coal companies in Tennessee were found intentionally skirting the costs of staying in accordance with laws requiring them to return land as they found it by transferring mining permits to smaller firms without the resources to meet those obligations. Therefore, as they enjoy limited liability, taxpayers may need to step in to pay for these environmental costs (Kaufman and Wade 2022). As another example of the costs of limited liability, companies have neglected their worker pension funds over the last several decades. Yet, it's the federal government—via the Pension Benefit Guaranty Corporation (PBGC), funded like an insurance program where participating firms pay premiums—that steps in when the gap between what corporations contribute into the fund falls short of what workers were promised to receive in retirement (Pension Benefit Guaranty Corporation 2022; Manchin 2019). Limited liability in essence offers businesses a get-out-of-jail-free card, while imposing tremendous costs on governments and citizens alike.

5 Prior to the TCJA, the corporate income tax was levied on a graduated basis, with the most profitable corporations subject to a 35 percent statutory rate (Tax Foundation 2021).

Child and Family Well-Being: What It Is and Why It Matters

II. Child and Family Well-Being: What It Is and Why It Matters

Well-being analysis has become popular in recent years as a more holistic measure for research and policy than the highly imperfect, historically dominant metrics of gross domestic product (GDP) and gross national income (GNI). In place of these easily quantifiable measures, which conflate a very narrow definition of aggregate material prosperity with community welfare, well-being analysis seeks to establish a comprehensive assessment of how people and their communities live their lives (Robert Wood Johnson Foundation 2018).[6] It takes a broad view of what conditions are necessary for communities to thrive, shines light on the dangers of economic and social inequalities, and emphasizes people's participation in the decisions that affect their lives.

While we recognize that well-being is necessarily subjective and should ultimately be democratically determined by the relevant individuals and communities to which it pertains, we outline below several well-being dimensions, or enabling conditions for children and families to thrive in the US. These are not meant to be exhaustive, but illustrative of those dimensions of well-being more related to corporate taxation. Health care and a dignified retirement are both outstanding dimensions of family well-being; because they are so critical and intimately connected to employment status and influenced by tax policy (e.g., through mandatory employer contributions to Social Security and Medicare), we explore these two dimensions in less detail so as to do them justice in potential future research.

Income and Wealth

A family's finances—including both the income they earn through work and the stock of wealth (like savings) they can rely on in times of economic stress—are paramount to their ability to meet basic needs, especially in the absence of government programs that satisfy those needs. But long-standing patterns of institutional racism and economic inequality mean that relatively few families are able to achieve economic security, much less build wealth such that one generation can pass on financial assets to future ones (Oliver and Shapiro 2006; Darity and Mullen 2022). The vast majority of Americans (70 percent) admit that they are stressed about their personal finances, while more than half (52 percent) say their financial stress has worsened since the pandemic began in 2020 (Dhue and Epperson 2023).

For most families, the income they earn through employment is their primary financial resource. But on average, Black and brown workers take home around half the earnings of white families (Annie E. Casey Foundation 2023). As a result of a number of intersecting trends—including increasing tax advantages for the richest households, declining union strength, stagnant minimum wage laws, and sluggish wage gains relative to productivity gains—income inequality in the US grew by a staggering 25 percent between 1979 and 2019 (Steele et al. 2022). Being low-income is causally linked to worse child education and development

6 The governments of Canada, New Zealand, the UK, and certain US agencies have begun adopting well-being measures as well (University of Waterloo n.d.; Janoo et al. 2017; UK Office for National Statistics n.d.; Board of Governors of the Federal Reserve System 2022; ELTRR Interagency Workgroup 2022).

outcomes (Chaudry and Vimer 2016). Alongside poverty, income *volatility* (itself a consequence of lacking the wealth necessary to smooth spending over time) can increase the likelihood of material hardship, food insecurity, and inability to save wealth for the future (Christal Hamilton et al. 2022).

As income inequality in the US has skyrocketed, so too has wealth inequality. Since the 1970s, the top 0.1 percent of US households dramatically increased their wealth share, while the bottom 90 percent saw their wealth share plummet (Saez and Zucman 2019). For households with children, wealth inequality has reached historic levels—especially for Black and brown families with children. In 2019, Black households with children had a median wealth level of $808, compared to $63,838 for white households with children (Gibson-Davis and Hill 2021). Research on wealth and well-being is still in its infancy, but existing research, which tends to focus on educational outcomes, finds a positive relationship. Disparities in family wealth increase gaps in years of education, high school graduation, and college attendance and graduation (Conley 2001; Jez 2014).

Employment

Consistent and sufficient employment is a requisite for family well-being, both in how it dictates earnings; and because in the US, benefits—from health care and dental care, to sick time and parental leave, to retirement—are purposefully tied to employment (even though in individual cases employers may not provide benefits). As of May 2023, the US unemployment rate was down to 3.7 percent from its pandemic high of 14.7 percent (US Bureau of Labor Statistics 2023)—a remarkable achievement that has provided workers leverage to demand better pay and benefits. But racial and gender disparities in employment persist. During the pandemic, the unemployment rate for Black and brown women workers spiked much higher than that for their white counterparts—and it hasn't come down as quickly. Moreover, data indicates that—due to things like additional caregiving responsibilities, fewer job opportunities across time, and illness or disability—more workers of color have dropped out of the workforce entirely (Salmon 2023).

Many life-enabling benefits are also only accessible and/or affordable through an employer. For most workers, health and dental insurance are only available through their employment. Similarly, for most families, employers are a critical pathway to retirement security. Pensions and retirement account contributions are a vital source of income for millions in old age. Even Social Security payments, the federal government's primary retirement benefit, are dependent on a person's lifetime employment history. Ironically, though the pandemic proved how vital employer benefits like health care and sick leave are, many companies are reducing their benefit packages. In a survey of 500 US businesses, Care.com finds that almost half plan to trim their overall employee benefits offerings—including for critical programs like 401k matching, senior and childcare, maternity leave, and mental health support (Care.com 2023a).

Education and Childcare

Early childhood care and education are tightly connected determinants of child and family well-being. Quality education has immediate and long-term positive effects on children's cognitive skills, educational attainment, and employment potential as adults (Moffit 2016; Hahn et al. 2013; Chetty et al. 2014). Childcare, in particular, serves as both an early development opportunity for a child and a requisite for parents—especially mothers—to take on paid work. But about half of the US lives in a childcare "desert" where there is scarce supply (Center for American Progress 2020). At the same time, childcare costs have skyrocketed (up 200 percent in the last several decades), leaving millions of families facing the no-win choice to forgo spending on other basic needs or take on additional caregiving responsibilities themselves—if they can find and access a provider at all (Care.com 2023b). Though care costs have increased, care workers—disproportionately women of color—still struggle to make ends meet. Early care and education professionals are among the lowest-paid workers in the country, earning a median wage of less than $18 an hour (Biden Administration 2023).

Climate

A growing body of research links climate change to many facets of family well-being—currently and intergenerationally, directly (e.g., extreme weather events cause thousands of deaths and injuries each year), and indirectly (e.g., climate change reduces the overall quality and quantity of safe drinking water, clean air, and food access) (EPA n.d.; WHO 2021). In a world of worsening climate change, geographic location is critical to establishing a safe and healthy family: Good mental and physical health depends on having a home free from hazards. Due to the US's history of racist housing policies and intentional community disinvestment, Black communities are more vulnerable to severe weather and floods and are disproportionately proximal to sources of toxic pollution (Stafford 2023; Moms Clean Air Force 2019). In addition, poor-quality housing in subpar locations contributes to health problems such as chronic diseases and injury—especially for young children and the elderly (Braveman et al. 2011).

A Brief Note on Methodology

For the purposes of this analysis, we focus on C-corps ("corporations," hereafter), the business organizations of most large, publicly traded, profitable corporations in the US, and the only ones subject to the corporate income tax. With the aim of more comprehensively assessing how corporate taxation affects well-being, we also explore, where research exists, how state corporate income taxes and state and local property taxes that corporations pay impact families and children. Other taxes that businesses may administer but not bear the full costs of—including withholding, Social Security and Medicare payroll, sales, excise, and capital taxation on shareholders—are important factors to the overall tax system, but will not be central to this project.

Our analysis is exclusively focused on the US context. The post-WWII US debate over tax has increasingly adopted (and reinforced over time) a federal, state, and local government spending-taxation dichotomy that has resulted in highly politicized tax reform and undermined the government's ability to fund critical programs. At the same time and unlike in much of the rest of the world, US funding and provision of public benefits (including, health care, childcare, family leave, and retirement security programs) are largely channeled through private employers, which elevates the role of the private sector in people's lives and has left deep and unequal gaps in service delivery and quality. The historical rise of this unique and narrow approach to fiscal policymaking in the US will be further explored in part two of this report series.

Moreover, US corporate tax policies, in particular, have historically been centered around the interests of business, especially capital owners and management. The fact that the affected parties of corporate tax policies are almost always narrowly defined as the corporate sector alone shapes who is considered relevant to participate in the development of these policies. This executive- and shareholder-first form of tax policymaking makes other deserving stakeholders invisible—especially children and families, who have relatively little political power compared to business and industry. As a result (and as we outline in this paper) children and families are subject to deep and overlapping harms. Thus, while this project centers corporate tax policy and reform, we recognize that children and families would be more effectively and proactively served in fixing many of the social and economic issues that we outline through a combination of policy solutions, including higher minimum wages, stronger employer standards and worker protection, enhanced regulations, and direct funding and/or provisions of family policies. We further acknowledge that, while we adopt the view of child and family wellbeing as inextricably interconnected for this analysis (and so use the terms interchangeably), each is distinct and achieving wellbeing for both children and families will require proactive, tailored policy solutions that center the respective constituencies' best interests.

The Intersection of Corporate Taxation and Child and Family Well-Being

III. The Intersection of Corporate Taxation and Child and Family Well-Being

Critical to understanding the particular ways corporate taxation impacts child and family well-being is a comprehensive understanding of the tax code's power—and potential. The tax code both raises critical revenue and shapes economic and market outcomes through its very design. But a "taxes-as-revenue" narrative—which deems raising revenue the *sole* purpose of taxation—has come to pervade much of US policy thinking, crowding out taxation's other critically important functions and hindering the policymaking imagination by overemphasizing the short-term dollar value of legislation over longer-term impact,[7] which is especially important when considering the life cycle of child well-being. While revenue remains vital for government functioning, a myopic view that sees tax as only a public revenue tool ignores the ways the tax code *already* impacts the lives of children and families by shaping our economy and our democracy. And it overlooks entirely the *potential* role that tax policy can play in building a better collective future.

This section provides a broader framework for assessing the full impact of corporate tax policy. While previous literature has explored how tax policy affects the subjective well-being of nations (Oishi et al. 2012), to our knowledge this is the first study that analyzes the effect of the corporate tax system on the well-being of families and children. The "4 Rs" framework—adapted here to focus on corporate taxes specifically—uplifts taxation's simultaneous roles in a) revenue and well-being, b) redistribution and predistribution of resources, c) restructuring of markets, and d) representation. Though each role is laid out below as distinct, each of these functions of (corporate) tax policy are overlapping, at times in tension and at times mutually reinforcing. To understand the various pathways through which taxing corporations affects child well-being, we analyze below how each of the well-being dimensions explored above are impacted by each of these four functions of corporate taxation.

Revenue and Well-Being

Revenue—including those public monies raised from corporations—is a must-have for sufficiently funding the public support programs that enhance child and family well-being. In theory, money is fungible, and "lost" corporate tax revenue can be replaced with that from other sources (for example, by raising other taxes or borrowing more). However, doing so can be challenging in practice, as tax proposals of all kinds face uphill battles in Congress and in state legislatures. The federal government (but not states or localities)[8] can technically deficit-finance in the face of revenue shortfalls. But again, this is often a

7 This dynamic is perhaps best evidenced by Congress's reliance on Congressional Budget Office (CBO) scores. Concern for CBO scores incentivizes incorporating accounting tricks into bills that create "fiscal cliffs" and prevents much-needed upfront investments (DiVito and Konczal 2021). For example, several of the TCJA's tax provisions expired after 8–10 years, allowing the bill to seem less costly on paper than it has proven to be (Hendricks and Hanlon 2019).

8 All but two states (North Dakota and Arizona) have some form of a balanced budget requirement, but terms vary state to state. For more, see Tax Policy Center 2023.

politically challenging option—as the recent debt ceiling fight in the US showed. Of the $5.8 trillion the federal government spent in 2022, over $4.8 trillion (or 83 percent) was financed by revenues (Center on Budget Policy Priorities 2022; US Department of the Treasury 2023). The federal corporate income tax today accounts for only 9 percent of revenues (US Department of the Treasury 2023), compared with 54 percent from individual income taxes. At the state and local levels, corporate income tax revenue accounted for $61 billion in 2020, or 2 percent of general state revenue (Urban Institute 2023). Local governments collected $8 billion, or 1 percent of their general revenue, from corporate income taxes (Urban Institute 2023).

Not all government spending is deployed in equal service to child and family well-being. Federal programs that directly advance child well-being account for about 10 percent of the federal budget (about $609 billion or $9,910 per child) in 2022, and are directed toward vital programs such as the Children's Health Insurance Program, the Child Tax Credit (CTC), the Supplemental Nutrition Assistance Program, and free school lunches (Lou et al. 2023; Peter G. Peterson Foundation 2023a; US Department of the Treasury n.d.).

The federal government also orients some of its federal revenue—about $721 billion in 2019—to states that they then reallocate to local public programs aimed at child and family well-being (Tax Policy Center 2022b).[9] However, as certain pandemic-enhanced programing expires, federal expenditures on children, in particular, are expected to decline to roughly 6 percent of total federal outlays in 2023 (Lou et al. 2023).

Though sizable, current levels of revenue raised from the corporate income tax fall well short of what corporations could—and should—be contributing to public programs and services for children and families. For one, with the TCJA, the statutory corporate income tax rate is at a near-historic low of 21 percent (Tax Policy Center 2022a). Second, corporations of all sizes consistently take actions to prevent paying their fair share. In fact, due to allowable deductions and exemptions, about 50 percent of large corporations pay no federal income tax at all (GAO 2022b). Even worse, because of tax abatements and other giveaways, many corporations end up receiving more in tax breaks than they pay in taxes (GAO 2022b). Third, some corporations simply don't pay what they owe: The total estimated corporate income tax gap is, at minimum, $41 billion annually (Krause et al. 2022).[10] Global tax avoidance through profit-shifting by US multinationals results in a loss of between 20 and 40 percent of total revenues from the corporate income tax (Clausing 2020b). The new corporate alternative minimum book tax (AMT) established in the 2022 Inflation Reduction Act (IRA), alongside the not-yet-implemented Pillar 2 of the OECD Base Erosion and Profit Shifting (BEPS) Project, will work to stem global tax avoidance by ensuring a corporate tax floor of 15 percent for all large corporations. Together, these efforts would raise revenue and make corporate tax expenditures, such as clean energy tax credits, more appealing and potentially more effective.

Tax revenues can—and do—flow toward corporations as expenditures that benefit corporations and legally allow for them to pay less in tax. In 2023, tax expenditures *to* corporations accounted for about $161 billion of revenues federally, or about one-third of revenues from the corporate income tax (Peter G. Peterson Foundation 2023b). This sort of spending can have differing effects on well-being, depending on whether and how they are channeled to address key needs. Work-related credits can boost employment, for example, and depletion allowances can decrease pollution. The clean energy tax credits in the IRA, for example, are already leading to investments to drive down carbon emissions (Jenkins et al. 2023). Well-designed and monitored tax expenditures could compel corporations to invest in lagging areas of the US, which could make a huge difference for the children living there (Avi-Yonah et al. 2020). If improperly targeted or left unmonitored with no real safeguards, however, much of this spending amounts to giveaways to corporations couched as economic stimulants, which then come at the expense of well-being investments such as education (Smith Butler and Hanks 2023; Wen et al. 2021).

9 Tracking exactly what states and localities do with these funds—and how much of them are deployed in direct service of children and families—is incredibly difficult given available data.

10 The tax gap has three components: nonfiling, underpayment, and underreporting. According to the IRS, data limitations prevent knowing the full extent of corporate nonfiling and so that component is not included in its estimates (Krause et al. 2022).

Corporate Tax Revenue and Family Income

Income support programs, like the pandemic-era expanded CTC, provide some of the clearest examples of the intersection between tax revenues and child well-being. Of the $5 trillion in federal expenditures allocated for COVID-19 relief, $600 billion went to support children—half of which went to child-focused tax credits (Swanson 2021; Peter G. Peterson Foundation 2023a). These funds helped expand the CTC to provide more generous benefits to families, and restructured payments to be dispersed in monthly installments. As a result, the CTC directly lifted 2.9 million children, disproportionately Black and Latino/a, out of poverty (Burns et al. 2022). But the anti-poverty benefits are mostly only as lasting as the expanded credit itself. Since expiration, the child poverty rate is expected to rise (Center on Poverty and Social Policy 2022). Though not originally funded through corporate tax revenue *per se*, additional corporate taxation could enable such a permanent program in the future.

Corporate Tax Revenue and Employment

Corporate tax policy's impact on employment can be seen through its effect on the underlying economic conditions that lead to employment growth. Most of the theoretical research finds the relationship between corporate taxes and aggregate demand is negative: As the corporate tax rate goes down, post-tax incomes of corporations increase; as the theory goes, those are then passed on to consumers in the form of price reductions and better products and to workers in the form of higher wages, which in turn boost aggregate demand, eventually leading to more jobs. This is the cornerstone "cut-to-grow" argument driving a lot of corporate tax policy in recent decades. Critically, this line of reasoning assumes that corporations will both: 1) pass on the extra income from a tax cut to consumers and workers (rather than to shareholders), and 2) hire more workers in response to any potential demand boost.

Both stand in contrast to economic reality. First, corporate decision-making around capital allocation in the US today is fundamentally driven by shareholder concerns, and in particular the quest to drive increasing quarterly earnings. Cost-cutting, including through lowering tax payments, is done in service of reporting higher earnings to the market, and then distributing any excess rents to shareholders (including corporate executives themselves) in the form of increased dividends and share buybacks—neither of which trickle down in a meaningful way to workers, consumers, or their families.[11] It is worth noting that the federal tax code plays an important role in fueling this quest for ever-higher quarterly returns and payouts. In 1993, Congress put in place a provision that prevents publicly traded corporations from deducting senior executive salaries over $1 million (BDO Alliance USA 2021). Many corporations responded by keeping salaries (which don't respond to changes in stock value) below that limit while offering senior executives considerable boosts in compensation through stock offerings. Senior executives—now much more a part of the shareholder class—then became personally incentivized to both boost the type of short-term earnings pronouncements that drive share price appreciation and to distribute more of the company's excess profits to shareholders like themselves.

Second, research finds that any demand-boosting effect of tax cuts is often offset by how these cuts were financed (Bivens and Blair 2017)—for example, through deficit spending or cuts to government spending, or by increasing other taxes. More fundamentally, corporate tax cuts are the least effective way to boost employment because the high-income households (owners of the most shares in corporate stock today)

11 See below for a related discussion about the distribution of the burden of corporate tax.

that are most likely to experience the benefits of corporate tax cuts have a limited marginal propensity to consume. Thus, corporate tax cuts can have a very limited impact on aggregate demand (Bivens and Blair 2017).

Conversely, employment and wages—especially for low-income families—are likely to increase when tax revenue is deployed in the public interest. For instance, when the Earned Income Tax Credit (EITC) was expanded from the mid-1980s to the mid-90s, low-wage families—especially those of single mothers—substantially increased their employment and work hours, increasing their overall family income, and reducing their reliance on public benefits (Eissa and Liebman 1996; Grogger 2003). More recently, the IRA, which provides targeted public support toward combating climate change, is estimated to generate an average of over 900,000 jobs per year over the next decade (Pollin et al. 2022). More generally, raising corporate tax revenue in ways that boost public investments in key areas of the economy neglected by the private sector can boost industry and job growth.

Because most US families primarily earn their income through work, the effect of corporate tax cuts on employment and wages is tightly connected. The TCJA provides a useful case study for assessing these interconnectivities. Before the TCJA was passed, Bivens and Blair (2017) predicted that its cuts would do very little to boost employment generation or the labor productivity that would put upward pressure on wages (Bivens and Blair 2017). Now, years later, the data supports that prediction. Most studies comparing employment and wages before and after the TCJA find that growth of employment and median wages slowed after 2017 (Gale and Haldeman 2021b; Gravelle and Marples 2019). Moreover, the TCJA also hasn't been shown to increase GDP or investment or have other beneficial macroeconomic effects for workers: Consumption growth, business fixed investment growth, and residential investment all slowed after enactment (Marr et al. 2021; Furman 2020) An important reason that certain models inaccurately found the TCJA to be economically productive was that they assumed the corporations in question operated in perfectly competitive markets. Using more realistic assumptions about market power, the TCJA was found to be economically harmful while also exacerbating inequality (Brun et al. 2023).

Corporate Tax Revenue, Education, and Childcare

The US public education system is highly dependent on revenue, but states and localities (rather than the federal government) are the primary source of this funding. What educational programming the federal government does directly administer tends to focus on early education for low-income families, like Head Start and Early Head Start.[12] About 30 percent of state and local funding for education comes from residential and commercial property taxes, which account for about 60 percent of the average firm's total state and local tax burden (Wen et al. 2021; Loughead 2021). The federal government does supplement state and local education funding: In 2021, the federal government provided $60.34 billion (7.9 percent) funding for public K-12 schools, or about $1,193 per pupil (Melanie Hanson 2022). States provided a total of $357 billion (or $7,058 per student), and local governments $347 billion total (or $6,868 per student) (Melanie Hanson 2022). But this property-value-focused education funding model has created vastly inequitable outcomes—schools in low-income areas with lower property tax pools are more likely to be in communities of color serving students of color (Turner et al. 2016). At the same time, the legacy of redlining and racist housing laws is alive today in unfair property taxation that leaves Black and brown families facing

12 For 2023, Head Start and Early Head Start received a combined appropriation of $12 billion (First Five Years Fund n.d.).

undervaluation when pursuing mortgages, but overvaluation when taxes are levied. The result is that families of color can face difficulty shoring up financing for their homes, but relatively high property tax liabilities—even higher than many white families (Romo 2023; Van Dam 2020).

Corporations' successful efforts to avoid their full property tax liability devastate public school budgets. Each year, corporations receive about $90 billion worth of tax abatements (i.e., a reduction or exemption from taxes granted to businesses) at the local level that are huge boons to corporations, but drastically diminish government revenue and rarely result in the promised macroeconomic benefits (Wen et al. 2021). Additionally, the way corporations use the property they own can weaken the property tax revenue pool on which education budgets rely. Businesses—especially big-box chains—often build their retail spaces with cheap, fast, and disposable construction methods to minimize their calculable tax costs (Lavecchia 2015). These actions have real effects on the surrounding physical environment, too. Abandoned buildings increase vermin, rot, and mold—all of which pose direct health risks to children and families (Duncan 2013).

And when businesses move locations, they often leave those buildings vacant—a practice that has left hundreds of communities peppered with dark storefronts that drive down neighboring home values (Lavecchia 2015). Moreover, in certain jurisdictions, existing laws explicitly limit property tax assessments, including for commercial property. For example, in California, property tax revenues for both corporations and households have dramatically declined since assessment increases became restricted by law via 1978's Proposition 13. One recent study estimates that, if commercial property were held to pre-1978 assessment levels, between $8.2 to $10.2 billion in additional revenue would have been raised in 2019–2020 (Ito et al. 2020). Even worse, Proposition 13 shifted the relative tax burden from businesses to individuals (Goldberg and Kersten 2010).

Childcare in the US is also heavily revenue-dependent. Though Congress could raise the revenue to do so, the US doesn't offer free or guaranteed affordable childcare. While the federal government does provide some funding for childcare (mostly as subsidies), government investment doesn't come close to allowing for universal coverage—nor does it even provide enough coverage for the children that the program's rules would deem eligible.[13] In 2019, only 2 million children received federal childcare subsidies, though 12.5 million were eligible under federal rules and 8.7 million were eligible under state rules (GAO 2023). All told, total federal investment in early childhood care *and* education is only about $1,500 per child annually—nowhere close to the full need (Davis and Sojourner 2021).

Without sufficient funding for public education or childcare, many states try to supplement tax revenue through state lotteries. This creates a perverse and unsustainable funding model whereby pivotal programming for children and families hinges on the gambling whims of other individuals. In Georgia, authorities have difficulty enrolling students in their lottery-funded pre-K program due to fluctuating funding levels (Stanford 2023). Even when lotteries thrive, schools and care programs suffer. States have been shown to cut education budgets in anticipation of lottery windfalls and use them to *replace* (rather than supplement) other funding (Chen 2022). In contrast, raising revenue from profitable corporations could be a sustainable and equitable source of education and childcare financing.

13 Some states and localities have experimented with free pre-K programs: Sixteen states and DC have universal pre-K programs, but funding constraints curb the number of children who can participate in those programs (Stanford 2023).

Corporate Tax Revenue and Climate

The full scope of federal climate "pay-fors" is difficult to conclusively determine given available data.[14] Retrospective analysis suggests that between 1993 and 2014, federal climate expenditures totaled about $147 billion (Haapala n.d.). More recently, the Bipartisan Infrastructure Law and the IRA allocated billions in subsidies and block grants to states for clean energy and transportation, environmental justice, and infrastructure resiliency investments. These investments are much-needed, but not nearly enough to stave off looming climate catastrophe.

Twenty-four states and Washington, DC, have started using state and local tax revenue to make direct climate investments, but many of these initiatives have uncertain futures due to budget constraints (Center for Climate and Energy Solutions n.d.). For instance, California had planned to dedicate $54 billion to a broad array of climate efforts, but Governor Gavin Newsom, now facing a deficit, has announced he needs to backtrack on the promised investments (Burg 2022; Singh 2023). Expanded federal investments in mitigating and adapting to climate change—financed by profitable corporations and in particular by those most responsible for carbon emissions—will be essential in ensuring family well-being intergenerationally.

Redistributive Role of Corporate Taxation and Well-Being

The corporate tax code—through the costs it imposes and the benefits it provides—distributes resources between and within households, between communities, and between racial and ethnic groups (Darrick Hamilton and Linden 2018). But over the past 50 years, taxes have often served to expedite (rather than resolve) economic inequality—which only inhibits overall economic growth.

Economists now know there is a strong correlation between the growth in income and wealth inequality and a decline in tax rates (Richards 2019). A popular explanation of this dynamic among policymakers is an economically conservative—and inaccurate—one: Reduced taxes incentivize people to work more and harder, leading to higher incomes for those who are already top earners. But this explanation ignores several key facts. First, inequality itself inhibits economic growth, and thus any tax cut that worsens inequality inherently weakens the macroeconomy. Piketty et al. (2014) find rate cuts are associated with a 1 percent increase in pretax income for the highest earners, but not with higher economic growth (Piketty et al. 2014). Second, wages are the result of bargaining between workers and employers where tax policy influences the strength of each side. When tax rates decline, corporate executives have more reason to fight for—and boards have more reason to approve—higher salaries for themselves, since they aren't being "taxed away" (Konczal and Covert 2014). In turn, firms begin to structure their expenditures to direct more to executive compensation rather than worker wages, research and innovation, or lower prices for consumers.

14 This is partly because, for the purposes of government accounting, "climate" is an expansive and evolving category that includes initiatives ranging from fossil fuels emission reduction and dependence to frontline community resilience investment to natural resource conservation. Moreover, until recently, most of the spending (94 percent in 2017) that the federal government categorized as climate-related only tangentially touched on climate concerns (Government Accountability Office 2018).

Redistribution and Family Income

The current corporate tax code helps drive inequality by benefiting capital interests (i.e., business owners, partners, and shareholders) at the expense of workers and their families. Key to understanding how is understanding corporate tax incidence, or the distribution of the tax burden across corporate stakeholders. Most economists agree that capital owners bear the lion's share of the corporate income tax, with labor bearing a much smaller proportion (Jennifer C. Gravelle 2010; Tax Policy Center 2022b). Currently, the Department of the Treasury assumes 80 percent of the corporate income tax is paid by the corporation and its shareholders, with 20 percent by labor.[15] The Joint Committee on Taxation and the Congressional Budget Office (CBO) assign a 75/25 percent split in its distributional results (Jane G. Gravelle 2021).

The distribution of the corporate income tax over time hinges on several concurrent and changing dynamics. First, strong unions reduce a corporation's ability to shift the corporate tax burden onto workers (via worse collective bargaining agreements) (Jennifer C. Gravelle 2011). Unfortunately, US union membership and bargaining power has been (intentionally) decimated in recent decades, so this dynamic isn't currently or consistently at play across all industries. Second, the incidence of corporate tax also depends on whether it falls on normal returns that could impact business decisions on hiring, or if instead the tax falls on excess returns, which would have no such effect (Brun et al. 2023; Clausing 2023). Third, the distributional consequences of tax cuts depend on how they're financed. If cuts are financed with cuts to government programs or with debt in an economy at full employment, they have regressive distributional consequences—privileging high-income individuals relative to others and/or reducing public-interest expenditures from which millions of working families benefit (Bivens and Blair 2017).

When corporations enjoy low taxes on their profits, they face a trade-off for how to otherwise disperse them: make investments in the workforce and productive capacity (e.g., raise wages, hire more workers, and/or upgrade buildings, equipment, or technology) or distribute them to shareholders (i.e., pay out dividends and buy back stock to inflate prices). Data shows that executives typically choose the latter—to the tune of hundreds of billions of dollars per year.[16] Windfalls from buybacks have historically gone untaxed. Because corporate stock in the US is largely owned by wealthy, mostly white households, these are the populations that disproportionately benefit from these shareholder payouts (Wolff 2023; Gneiting et al. 2020).

Redistribution and Employment

Corporate taxation also redistributes financial resources through its effects on employment. Again, the TCJA provides a clear example of how. Proponents of the TCJA's cuts argued they would trigger such broad and deep economic investment and growth that workers would enjoy more and better job opportunities. These effects didn't bear out. Instead, the cuts disproportionately benefited high earners and business owners, without delivering on the promised demand- and productivity-boosting gains. The top 1 percent of employees alone reaped 40 percent of the TCJA's benefits, while growth in real median earnings for workers fell (Dobridge et al. 2021; Gale and Haldeman 2021b). At the same time, growth in employment and new business formation (which can in theory also add jobs to the economy) slowed with TCJA implementation (Gale and Haldeman 2021b). Meanwhile, companies *did* increase their stock buybacks (Gale and Haldeman 2021b).

15 Early models of corporate tax incidence indicated that the entire burden of the tax would fall on capital, but later models, which adopted more and more realistic economic assumptions, have found that more of the burden could fall on labor (see, for example, Harberger 1962).

16 Between 2010 and 2019, companies spent $6.3 trillion on stock buybacks (Palladino and Lazonick 2021). In 2021 alone, S&P 500 companies spent nearly $130 billion dollars more on buybacks than they spent on capital improvements (Hughes 2023).

Redistribution, Education, and Childcare

The distributional consequences of taxation on education and childcare are closely related to their revenue dependency. There is a clear link between corporate tax abatements and revenue losses. Public education in particular is the most expensive local public service and, because of public school reliance on property tax pools, one of the industries most affected by corporate tax abatements. In 2019, tax abatement deals given to corporations led to at least $2.37 billion in lost revenue intended for public school districts, 97 of which lost more than $5 million each (Wen et al. 2021).[17] No district is inherently immune to abatements, but because districts of color often have relatively low property tax pools from which to fund education, they disproportionately absorb the costs of abatement (Wen et al. 2021). As an example, about two-thirds of Louisiana's 69 parish school districts—disproportionately ones with high student poverty and high concentrations of Black and Latino/a students—lost $269 million in revenue from one specific (still-operational) abatement initiative in 2019 (Wen et al. 2021).

Schools are also employers, so when they face budget shortfalls, millions of jobs and family incomes are at stake. The vast majority of the US's 3.4 million public school teachers are women, paid a nationwide average of just $48,000 annually (Zippia 2022). And about half of working teachers are themselves parents with children at home (Barnum 2020). When governments face education budget shortfalls from corporate actions to dodge taxes, states and localities are forced to transfer costs to children and families through increasing class sizes, cutting back on teacher positions, raising other taxes (like individual income or sales), and requiring that individual students subsidize classroom supply bills (Wen et al. 2021; Chen 2023).

Because childcare is, in most cases in the US, *not* a part of government budgets, the way corporate tax policy demonstrates a distributional impact is in its effect on allocations to caregiving responsibilities. Since regressive corporate tax cuts *don't* significantly increase earnings for working families (through either wage or employment increases), but they *do* reduce the government's ability to fund family income and care supports, childcare costs—which are already rising—can become a relatively more expensive line item in working parents' household budgets. When they can't afford childcare, parents face the difficult choice of having to cut costs in other places—often on the basic necessities that allow children to thrive, like food, clothing, and enrichment activities—or taking on additional caregiving duties themselves (Care.com 2023b). When families decide the latter, working mothers are more likely than fathers to forgo paid work to take on informal caregiving. In the aggregate, this tendency translates to big labor force participation gender differentials: In 2020, the total share of women in the labor force fell to 56.2 percent—the lowest level since 1987 (US Bureau of Labor Statistics 2022).

Redistribution and Climate

Corporate activities in dirty industries like manufacturing, energy production, and food retail allocate untold physical harm to families—especially those in low-income and/or Black and brown communities—through air pollution, water contamination, and natural resource extraction. The tax code not only fails to disincentivize this damaging corporate behavior; it actively incentivizes it through lavish subsidies to fossil fuel companies (Metcalf 2017; Reuters 2023). The current tax code also fails to require (or even encourage) community compensation for corporate harms. The result is one-directional redistribution of harms: from corporations to individuals and families.

17 Due to data availability constraints, Wen et al.'s (2021) analysis only encompasses school districts in 27 states. Thus, the full cost of tax abatements on public education is likely much, much higher.

While certain high-profile instances of corporate misbehavior with tragic environmental consequences for communities receive media attention—such as, for instance, Pacific Gas & Electric's chemical leakage into a California community's water supply that created a cancer cluster and became the subject of the movie *Erin Brockovich*—similar tragedies occur all the time throughout the US (Genecov 2017). At scale, environmentally extractive corporate behavior harms all communities, no matter how physically close: The top 15 US food and beverage companies alone generate more greenhouse gasses every year than the entire country of Australia (Axelrod 2019). Just 90 corporations around the world—many subject to US taxes—are responsible for nearly two-thirds of the major industrial greenhouse gas emissions in the atmosphere today (Heede 2013). Several of the "carbon majors" subject to US corporate income tax—including ExxonMobil and Chevron—paid an effective tax rate less than 3 percent in 2021 (Koronowski et al. 2022).

Black and brown communities are much more likely to bear the brunt of corporate environmental harms—both directly and indirectly—without receiving any remuneration in return. Black families are subjected to higher levels of air pollution and live near hazardous waste sites than white families (EPA 2021b; Fleischman and Franklin 2017). And, Black and brown communities are more likely to be in areas that will experience the worst of climate change, and rely on infrastructure (i.e., housing, schools, hospitals) least resilient to it (EPA 2021a).

While passage of the IRA expanded and deepened the availability of clean energy tax credits, two central distributional concerns remain. Contrary to more direct public investment, the statutory design of the credits largely reinforces preexisting inequalities (Daly and Chi 2022).

Restructuring Role of Corporate Taxation and Well-Being

The tax code—through creating implicit and explicit incentives for different kinds of economic and social behavior—*already* structures our economy. But rather than serving to create an equitable one, current tax policy is a driver of corporate power and concentration—incentivizing "bigness" at the expense of small business competition, workers, and families. Steep declines in the corporate income tax rate have coincided with increases in market concentration across all sectors, which reduces productivity, drives down wages, encourages firms to raise prices on consumers, and prevents small business and market entrants from thriving (Konczal and Lusiani 2022; Bräuning et al. 2022; Covarrubias et al. 2019; Stansbury 2021). Today's corporate tax code induces and protects market concentration through, for instance, generous tax treatment of corporate reorganizations and mergers, a flat corporate income tax rate, and unequal enforcement that allows US multinationals to avoid taxation and get a leg up on domestic businesses (Bearer-Friend 2020; Marples and Gravelle 2021).

An alternative corporate tax policymaking approach *is* possible—one that centers the well-being of children and families. When today's market concentration is taken as fact and integrated into tax modeling, researchers find that corporate income taxes can be retooled to correct capital misallocation, and increase economic investment and productivity while halting the growth of wealth inequality (Brun et al. 2023). The IRA, for example, imposed a 1 percent tax on share buybacks, with the intent of raising revenue and deterring this harmful corporate practice (Hughes 2023). As we outline below, by better leveraging tax "carrots" (i.e., incentives for desirable behaviors) and "sticks" (i.e., requirements or disincentives for undesirable behaviors with meaningful oversight and accountability mechanisms), the US corporate tax can proactively shape an economy and society that is affirmatively good for children and families.

Restructuring and Family Income

One primary way corporate taxation regulates national income in the economy is through economic growth. When the economy grows, the value of goods and services rises, in theory giving businesses more profit to invest in their companies, hire more employees, and pay better wages. Corporate tax policy, levied on profits, creates incentives for corporations to take certain actions over others with their earnings.

The economic literature on the theoretical relationship between corporate taxation and growth is mixed, but here, again, the TCJA is a useful case study to see the relationship in practice.[18] The TCJA's proponents argued that it would "pay for itself" in how much economic growth it would inspire, but research finds the cuts had a minimal—if any—direct contribution to growth. GDP grew at about the same rate before and after the cuts went into effect (Gale and Haldeman 2021b).[19] Moreover, economists ascribe what post-TCJA growth did occur to other simultaneously present macroeconomic conditions. For instance, real government spending increased (via the Bipartisan Budget Acts of 2018 and 2019), which had positive growth effects at the time the TCJA was coming into effect; loose monetary policy at the time could also have contributed to growth (Campbell et al. 2019; Furman 2020). Further, more recent projections using more sophisticated modeling of market power rents and their effects on the behavior of companies and their shareholders show the TCJA set to reduce employment and wages in the medium and long term (Brun et al. 2023).

Restructuring and Employment

The current corporate tax code reduces employment by enabling market concentration in which key sectors of the economy are dominated by very few employers. In many parts of the country, workers effectively face a monopsony where there is only one business "purchaser" for labor. This situation creates a deeply unequal employment dynamic where workers must accept whatever compensation package a powerful monopolistic employer offers, dragging down wages and diminishing job prospects (Sanchez Cumming 2022).

Corporate tax policy drives the concentration that allows this dynamic to occur, by preferencing already-large and powerful corporations over their smaller competitors. For example, large US multinationals, as well as companies that operate in multiple US states, exploit tax complexity to shield their income from authorities (Mitchell and Holmberg 2023). Most small and independent businesses, which often can't afford to hire dedicated tax attorneys, aren't able to do the same (Mitchell and Holmberg 2023). Or, take the aforementioned tax abatements that localities give to companies. Smaller businesses aren't frequently in a financial situation to guarantee the large expenditures that governments want to see promised when granting abatements.

When job markets are concentrated, workers aren't able to shop around to find the kind of employment that is best for them and their families. Reduced job prospects also drive down wages. Naidu et al. (2018) find that employment in uncompetitive markets is 5 to 18 percent less, and wages 25 percent less, than what it would be in more competitive markets (Naidu et al. 2018).

18 Different studies have variously found that corporate tax cuts increase economic growth (see, for instance, Arnold et al. 2011; Lee and Gordon 2005; Mertens and Ravn 2013), while others find that corporate tax cuts inhibit economic growth or have no effect on economic growth (see, for instance, Gechert and Heimberger 2022; Hungerford 2014; Gale et al. 2015; ten Kate and Milionis 2019).

19 Although growth rates alone cannot indicate the tax cuts' effects on GDP, they tend to rule out very large effects, particularly in the short run (Gravelle and Marples 2019).

Restructuring, Education, and Childcare

The most relevant way the corporate tax has a regulatory impact on education and childcare is, for the most part, through what it is *not* doing—using the tax code to encourage investments in children. Until the time when greater public expenditures in education and childcare can be implemented, the government could leverage the tax code as a "carrot" to encourage greater private provision of child-focused programming.

There are a few operational attempts to leverage tax policy in this way, but their effect is severely limited. For instance, the Employer-Provided Child Care Credit offers modest tax incentives to businesses to offer childcare to their employees and to parents for using that care for their children (GAO 2022a). But employers and workers alike report that the benefit amount is too small to be useful, and as a result, the credit largely goes unclaimed. In 2016, less than 300 (of nearly 80,000 total) corporate income tax returns claimed the Employer-Provided Child Care Credit (GAO 2022a).

And, until the time when the US has federal programs of paid family leave and universal childcare in place, tax policy can also be better leveraged as a "stick" to require employer-provided childcare. On this, the recent CHIPS and Science Act can provide inspiration. The Biden administration recently announced that any manufacturers seeking grants must provide their workers with access to affordable childcare (NIST 2023). Though a grant-making program (rather than a tax provision), attaching "strings" to government programs demonstrates a multiuse function of fiscal policy that the tax code—at federal, state, and/or local jurisdictions—could adopt. For instance, similar investment mandates in childcare or education, with meaningful mechanisms of oversight and accountability, could be incorporated into any future corporate tax expenditure initiatives.

Restructuring and Climate

No economic behavior is climate-neutral. But the US corporate tax code has historically failed to formally distinguish between economic activities that are "good" or "bad" for the climate, and even worse, actively incentivized fossil fuel dependence. Instead, taxation should be viewed as one of several interrelated strategies for mobilizing revenue and public power toward large-scale decarbonization and the fossil fuel drawdown it will require.

As a step in that direction, tax policy can help shape markets by disincentivizing corporate behaviors that cause environmental injustice, and incentivizing sustainable alternatives in their place. Toward the former, putting a final end to US fossil fuel subsidies would help draw down our dangerous reliance on oil, gas, and coal; reduce associated health, environmental, and climate injustices; and allow renewables to better compete in the energy market (Coleman and Dietz 2019). Further, federal or state corporate tax policy could be aimed at dramatically taxing fossil fuel company profits to help reduce consumer dependence and also minimize their existing financial and political power (Koronowski et al. 2022; McCluskey 2023). And corporate tax policy could better target the "heavy" industries—including chemicals, concrete, and paper—that emit disproportionate amounts of greenhouse gasses and consume disproportionate amounts of energy in their production.

Toward the latter aim of incentivizing clean and sustainable business activities, corporate taxation could be reoriented to address the climate crisis through strategic industry taxation. For instance, corporate tax policy could be better leveraged to incentivize a transition to renewable energy by offering more generous credits and grants to do so. And, until clean energy sources are accessible at a large scale, corporate taxes could be directed at the industries consuming disproportionate amounts of energy or outcompeting other businesses and individuals for limited clean alternatives. For instance, this could look like taxing the budding cryptocurrency industry, which is highly energy-intensive, and increasingly outcompeting other industries and consumers alike for limited supplies of clean energy—driving up prices and driving down public access to renewable energy (DiVito and Miller 2022; Amy Beth Hanson 2022). One example of this approach to tax policymaking at the federal level is the recent IRA, which included tax incentives for renewable energy and imposed a fee on methane emissions targeted to the oil and gas industry—all of which will help increase the cost-competitiveness of clean energy, reduce fossil fuel dependence, and drive down greenhouse gas emissions (Daly 2022).

Representation and Corporate Taxation

Fundamentally, the tax code symbolizes the state's contract with its citizens. When that breaks down—or is seen as corrupt, discriminatory, or otherwise unfair—so too does the public's trust in government. This fissure creates a vicious cycle whereby institutional mistrust discourages civic participation, which leads to electoral outcomes that further inflame mistrust. The tax system, as the facet of government almost all US residents interface with in some way, represents an opportunity to enhance people's relationship with their governments (Zucker et al. 2021). But for many taxpayers—especially Black and brown—engaging with the US tax apparatus is a letdown.

Moreover, families increasingly know and feel how impossible it is for them to repair their relationship with their government through democratic means; corporate behavior is a big part of the reason why. Corporations and their executives have become such a powerful force in US politics—thanks in part to the money they've been able to amass through low corporate and capital income taxation on the one hand, and the corporate tax subsidies and deductions provided for advertising and lobbying campaigns on the other—that individual voters have little opportunity to offset their political influence. In the first 10 years following *Citizens United*, just 25 ultra-wealthy donors (many of whom amassed their wealth via their businesses) accounted for nearly half—or $1.4 billion—of all individual contributions to super PACs. And just 20 corporations accounted for more than a third—or $118 million—of all corporate donations (Lincoln 2020). Simultaneously, the alarming success of a decades-long effort to buy courts at all levels, led by coalitions of conservative groups and business interests, has resulted in legal precedent and doctrine that considers corporations entitled to many of the same rights as people—further stacking the deck against the individuals and communities trying to implement change through the democratic process or hold corporations to account (Greenfield and Winkler 2018; Corriher 2012; Winkler 2018).

With political power, record profits, and minimal tax liabilities, corporations wield their collective might to kill public-interest programs that would benefit children and families. The recent losing battle to pass President Biden's Build Back Better (BBB) agenda—which would have made much-needed investments in childcare and early education and would have made the expanded CTC permanent—is a perfect example. The US Chamber of Commerce and the Business Roundtable of dozens of top CEOs were some of BBB's first, loudest, and most powerful opponents (Salam 2021). Beyond quietly lobbying elected officials, their coordinated efforts included direct voter outreach: The group spent hundreds of thousands of dollars on digital ads—predicated on lies that BBB would not, in fact, aid children, but would raise taxes on middle-income families—to convince individual voters to contact their representatives and express opposition to BBB (Legum 2021). At the same time, many of the same companies and business organizations went all out to make the terms of the TCJA's research and development (R&D) deduction more friendly to businesses—despite little economic evidence thus far that it actually inspires R&D investment (Legum 2022). In contrast, a vigilant and well-equipped tax administration—with a tax code that favors progressivity—can help defend the public against powerful business interests and rebuild public trust by reinstating the types of shared commitment and shared sacrifice a democracy requires

Conclusion

Strong corporate tax policy in the US has garnered a reputation for being inconsistent with economic growth and unrelated to equitable social reforms. By assessing the impact of corporate taxation through a more holistic framework of the "4 Rs" of revenue, redistribution, restructuring, and representation, we see that strong corporate tax policy is, in fact, vital to all aspects of a thriving economy—and critical to the well-being of children and families. Failing to reimagine more ambitious and comprehensive use of corporate tax policy does more than unnecessarily lock in aspects of our tiered, dysfunctional economy: It prevents us from achieving a more equitable, sustainable, and democratic economy and society for *all* families.

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