Real Corporate Profits Tax Act of 2021

Senators Elizabeth Warren and Angus King and Congressman Don Beyer

For much too long, American corporations have been able to get away with paying less in federal income taxes than working families. Amazon booked $45 billion in profits over the last three years, including a record $20 billion last year as families struggled through the pandemic. But the effective tax rate it paid on those profits was just 4.3% – well below the 21% corporate tax rate. In fact, in 2018, Amazon didn’t pay any federal income tax at all. Amazon isn’t alone: between 2008 and 2015, 40% of our biggest companies paid zero or less in federal taxes in at least one year, even while they were telling their shareholders they were wildly profitable. This trend continued last year during the COVID-19 pandemic, with 55 companies that reported a cumulative total of $40 billion in pretax income received a net $3.5 billion back from the government in rebates.

Our tax code allows profitable companies to pay little or no tax because there are two sets of rules for reporting profits. When reporting to shareholders and potential investors, companies follow established financial accounting procedures to record their profits on their financial statements. When filing their tax returns, however, companies are able to exploit a host of loopholes, deductions, and exemptions to drive down their tax liability. As a result, corporate giants that report billions in “book income” on their financial statements — and tout these numbers in order to drive up their stock prices and CEO bonuses — can end up paying no income tax to the IRS.

We need to fix the corporate tax code – including raising the corporate tax rate, curbing offshore tax sheltering, and closing unjustified loopholes – but we also know that big companies stand ready to deploy armies of lawyers, lobbyists, and accountants to bend the rules in their favor. A tax on book income would act as a safeguard to ensure that the most profitable companies contribute something each year, regardless of how skilled they are at gaming the tax code, and help level the playing field for small businesses trying to compete with these corporate giants.

The Real Corporate Profits Tax Act would create a fairer tax system and a stronger economy through a new tax on the book incomes of the very biggest corporations. For every dollar above $100 million a company reports to its shareholders, it would pay seven cents in taxes, on top of what it owes under the regular corporate tax rules. This would not only put an end to profitable corporations getting away with paying zero (or less) in taxes, but it would also generate the revenue we need to invest in child care, education, and infrastructure – investments that make American companies more competitive and our economy more resilient.

President Biden agrees, and has proposed a version of the Real Corporate Profits Tax in his American Jobs Plan that would similarly prevent companies from reporting millions in profits to their shareholders while reporting little or no taxable income to the IRS. As President Biden said, “giant corporations shouldn’t pay less in taxes than a teacher or a firefighter.”

The Real Corporate Profits Tax Act would:

- Apply to roughly 1,300 public companies and all private companies that report over $100 million in book income to their shareholders
- Create a 7% surtax of every dollar of book income above $100 million
- Allow companies to claim a credit of one-third of federal income taxes paid
- Raise nearly $700 billion in revenue over 10 years to support critical investments in our workers, families, and communities

The Real Corporate Profits Tax Act has been endorsed by: Action Center on Race and the Economy, Data for Progress, Indivisible, Progressive Change Campaign Committee, Public Citizen, SEIU, Take on Wall Street