V. Potential Consequences of Tax Policy Decisions

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Summary

- The U.S. Treasury is debating whether to increase tax revenues of U.S. firms that invest international
  - Increase tax revenues to $122 Billion over the next 10 years.
  - An average tax increase of 5.5% to U.S. firms.
Summary

Pro’s

• Higher Tax Revenues for the United States
• Increase investments within the United States

Con’s

• Higher taxes
• Less capital invested overseas
  • Harm economic growth opportunities for U.S. firms
  • Decrease in employment
  • Decrease in wages
  • Decrease in market share
• Investment in capital could shift to foreign competitors
Critical analysis

- Raising taxes would make each investment more costly
- Decline in foreign market share
- No room to expand
- Loss of competitive edge
What do you think?

- Do you believe that raising taxes on the foreign investments of U.S.-based businesses would be successful or detrimental?
- Any suggestions for congress?