Member Companies

3M
Abbott Laboratories
ADP
American Express Company
Bank of America Corp.
The Boeing Company
Boston Scientific Corp.
Carrier Global Corp.
Caterpillar Inc.
Chevron Corporation
Cisco Systems, Inc.
The Coca-Cola Company
Corteva Inc.
Danaher Corporation
Dell Technologies, Inc.
The Dow Chemical Company
DuPont
Eli Lilly and Company
Emerson Electric Co.
Exxon Mobil Corporation
GE Aerospace
GE Vernova Inc.
General Mills Inc.
Google, Inc.
The Home Depot Inc.
Honeywell International Inc.
IBM Corporation
Johnson & Johnson
Johnson Controls, Inc.
JPMorgan Chase & Co.
Kenvue Inc.
Kellanova
Kimberly-Clark
MasterCard Inc.
McCormick & Company, Inc.
Morgan Stanley
Oracle Corporation
Otis Worldwide Corp.
PepsiCo, Inc.
Procter & Gamble Co.
Prudential Financial Inc.
RTX Corporation
S&P Global Inc.
State Street Corporation
Texas Instruments, Inc.
United Parcel Service, Inc.
Verizon Communications Inc.
Walmart Inc.
The Walt Disney Company

Higher Corporate Taxes Would Harm Workers in Every State
September 26, 2024

Economists agree that corporate tax increases are ultimately paid by workers (in the form of lower wages), consumers (in the form of higher prices), and investors (in the form of reduced returns on investment). Put differently, a corporation is not a person, it does not and cannot pay taxes, it merely collects them on behalf of others.

A higher corporate income tax rate would discourage capital investment in the United States, resulting in lower productivity and lower wages for American workers. The Alliance for Competitive Taxation ("ACT") finds that increasing the federal corporate income tax rate by one-third, from 21 to 28 percent, would reduce average annual U.S. wages by as much as $597; however, that effect is not uniform across states. In some states the drop in wages would exceed $700 per worker.

We estimate the effect on wages of an increase in the federal corporate tax rate to 28 percent using a range of estimates in the economics literature. At the lower end, we use the Congressional Budget Office ("CBO") and Joint Committee on Taxation ("JCT") assumption that 25 percent of the corporate income tax is borne by labor. At the upper end of the range, we rely on a study by International Monetary Fund economist, Li Liu, and Rutgers University professor, Rosanne Altshuler, that estimates about 60 percent of the corporate tax is borne by workers in the form of lower wages.

We start with the Treasury Department's estimate that an increase in the corporate tax rate to 28 percent would raise $1.35 trillion over a decade (an average of $135 billion per year) and multiply it by the estimated share borne by workers (25 percent to 60 percent) to calculate the total loss of U.S. wages ($34 billion to $81 billion per year over a decade). Dividing by the number of workers in the United States (136 million as of 2022 according to Census), the average wage loss per U.S. worker ranges from $249 to $597 per year. Using Census data, the average annual wage loss per worker can be estimated for each state based on the state's share of total U.S. payroll (see table below).

Wage Impacts of Increasing the Federal Corporate Income Tax Rate to 28 Percent

State	Total loss of wages per year for 10 years ($ millions)			Average wage loss per year per employee for 10 years		
United States	$33,749	to	$80,996	$249	to	$597
Alabama	$355	to	$851	$199	to	$479
Alaska	$67	to	$161	$261	to	$625
Arizona	$612	to	$1,469	$220	to	$527
Arkansas	$213	to	$511	$196	to	$470
California	$5,126	to	$12,303	$320	to	$767
Colorado	$636	to	$1,527	$256	to	$616
Connecticut	$423	to	$1,016	$281	to	$674
Delaware	$108	to	$259	$254	to	$610
District of Columbia	$197	to	$472	$373	to	$895
Florida	$2,095	to	$5,027	$218	to	$522
Georgia	$979	to	$2,349	$230	to	$553
Hawaii	$106	to	$254	$209	to	$501
Idaho	$138	to	$330	$200	to	$479
Illinois	$1,445	to	$3,468	$261	to	$627
Indiana	$595	to	$1,428	$207	to	$496
Iowa	$282	to	$676	$203	to	$488
Kansas	$255	to	$613	$208	to	$500
Kentucky	$324	to	$778	$194	to	$467
Louisiana	$341	to	$817	$207	to	$497
Maine	$111	to	$267	$209	to	$502
Maryland	$600	to	$1,441	$246	to	$591
Massachusetts	$1,081	to	$2,595	$318	to	$764
Michigan	$876	to	$2,102	$222	to	$534
Minnesota	$669	to	$1,605	$245	to	$587
Mississippi	$162	to	$389	$171	to	$411
Missouri	$563	to	$1,351	$220	to	$527
Montana	$76	to	$182	$190	to	$455
Nebraska	$190	to	$456	$213	to	$512
Nevada	$268	to	$644	$208	to	$500
New Hampshire	$147	to	$354	$240	to	$575
New Jersey	$1,038	to	$2,491	$272	to	$653
New Mexico	$120	to	$289	$188	to	$452
New York	$2,697	to	$6,472	$320	to	$768
North Carolina	$907	to	$2,176	$221	to	$530
North Dakota	$77	to	$184	$224	to	$537
Ohio	$1,074	to	$2,578	$216	to	$519
Oklahoma	$277	to	$664	$199	to	$478
Oregon	$392	to	$940	$235	to	$564
Pennsylvania	$1,285	to	$3,085	$230	to	$552
Rhode Island	$98	to	$234	$222	to	$534
South Carolina	$388	to	$930	$193	to	$462
South Dakota	$74	to	$178	$198	to	$475
Tennessee	$607	to	$1,456	$213	to	$511
Texas	$2,775	to	$6,660	$241	to	$579
Utah	$337	to	$808	$221	to	$531
Vermont	$52	to	$124	$203	to	$487
Virginia	$883	to	$2,118	$253	to	$606
Washington	$910	to	$2,184	$306	to	$733
West Virginia	$100	to	$239	$185	to	$443
Wisconsin	$577	to	$1,384	$222	to	$532
Wyoming	$44	to	$105	$210	to	$503

Sources: ACT calculations based on (1) Census Bureau, 2022 County Business Patterns; (2) U.S. Treasury Department, General Explanations of the Administration's FY 2025 Revenue Proposals; Joint Committee on Taxation and Congressional Budget Office incidence assumptions; Li Liu and Rosanne Altshuler, "Measuring the burden of the corporate income tax under imperfect competition," *National Tax Journal*, March 2013.