

**ENTREPRENEURSHIP**

# Freeing America to compete

Tax reform, not reckless government spending, is the way to revive the ailing U.S. economy.

American entrepreneurs and businesses carry heavy taxes on their backs as they try to compete in the global marketplace, from India to China and Canada to Russia.

Other nations followed the U.S. example in 1986 by cutting tax rates on businesses so they can take risks and create jobs. But America's top corporate tax rate, 40 percent, is now the highest among all but one of our 30 largest trading partners — a sluggish Japan.

It's not small potatoes at stake: Total value of U.S. trade with these 30 countries in 2007 was \$2.7 trillion. That's 90 percent of our exports and imports.

President Obama and the new Congress have an opportunity to reboot economic growth with incentives that encourage Americans to work, save, innovate and invest. Here's how:

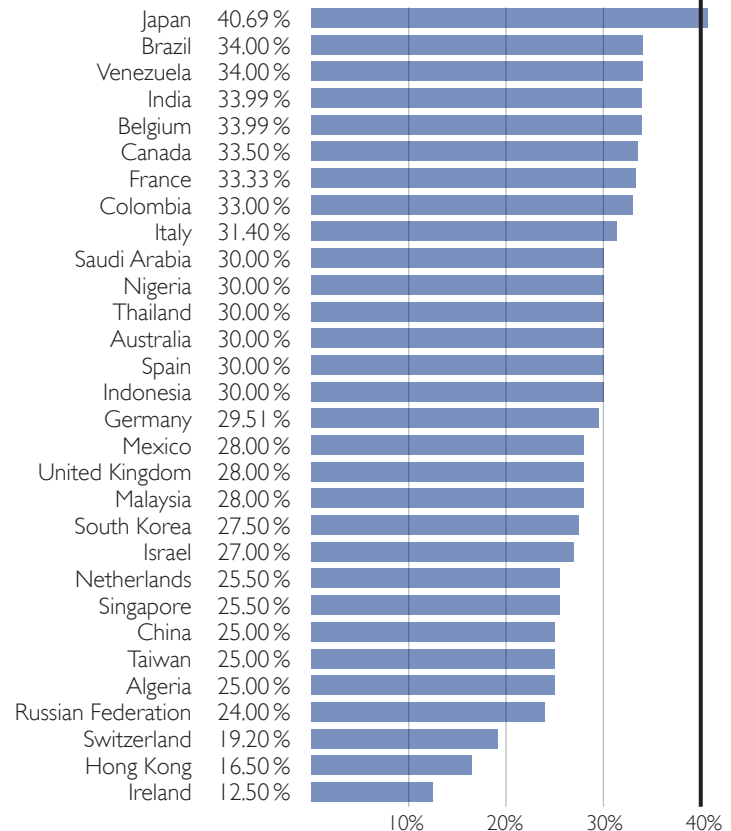
- Reduce the top tax rate on individuals and employers by 10 percentage points.
- Reduce all individual tax rates to only three: 10, 15 and 25 percent.

This real stimulus would boost the economy by \$130 billion and create 1.3 million jobs by next year. Struggling employers, many hoping to hire and grow to compete with overseas companies, would embrace that as real change.

## TOP CORPORATE TAX RATES

Among 30 largest U.S. trading partners

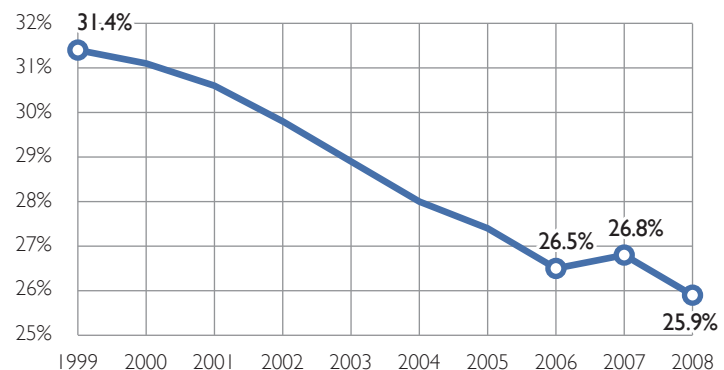
**U.S. top rate: 40%**  
(includes state taxes)



Source: U.S. Census Bureau, Foreign Trade Division, TradeStats™ Express, at <http://tse.export.gov>.

## GLOBAL TREND: LOWER TAXES ON BUSINESS

Corporate tax rates for countries surveyed, 1999-2008



Source: KPMG's Corporate and Indirect Tax Rate Survey 2008.

For research on tax reform and economic recovery, visit [heritage.org](http://heritage.org) and click on Rapid Response.