TAX FOUNDATION

Tax Policy After Coronavirus: Clearing a Path to Economic Recovery

Short-term policies to “stimulate” economic growth after COVID-19 run the risk of producing short-term results and would likely prove insufficient and ineffective for sparking a long-term recovery.

Lawmakers at all levels should focus on deliberate and comprehensive strategies to clear a path of the most economically harmful taxes that will prevent businesses and individuals from investing, creating jobs, and lifting the economy out of its slumber.

State Tax Policy Options

1. Modernize tax rules to be friendlier to the new trend toward remote and teleworking arrangements.
2. Modify nexus and enhance conformity to prevent needless double taxation impacting New Economy business models.
3. Stop states from taxing global corporate income.
4. Repeal burdensome taxes businesses must pay regardless of profitability.
5. Fix unemployment insurance (UI) systems to prevent tax hikes.
6. Broaden sales tax bases to generate needed revenue and avoid more harmful tax increases.

Federal Tax Policy Options

1. Prevent tax increases on capital investment and R&D by making full expensing permanent and extending it to factories and buildings.
2. Expand liquidity by allowing deductions to be “cashed out.”
3. Prevent scheduled increases to the GILTI and BEAT rates, which would harm U.S. international competitiveness.
4. Repeal the tariff tax burden on American consumers and businesses.
5. Clear the tax path for entrepreneurs and gig workers in the New Economy by streamlining tax rules and creating safe harbors for platform companies.

Global Tax Policy Options

1. The Organisation for Economic Co-Operation and Development (OECD) should suspend its current work on reforming international tax rules—and the $100 billion tax increase on digital companies—until the global economy returns to stable health.
2. The OECD should help countries reorder the mix of their taxes away from harmful corporate and individual taxes to less harmful consumption and property taxes.