

# *Business Taxes*

**Thomas F. Pogue, “State and Local Business Taxation: Principles and Prospects”, *The Future of State Taxation*, P89-110.**

**William F. Fox, LeAnn Luna, “State Corporate Tax Revenue Trends: Causes and Possible Solutions”, *55 National Tax Journal* 491-508 (September 2002)**

*States' ability to collect taxes on business, and particularly on interstate business activity, appears to be diminishing. This should not be a surprising outcome since economists have for many years recognized the difficulties for subnational governments to collect taxes on mobile activities. Much recent attention has been paid to the revenue losses that have resulted from the inability to collect taxes on Internet sales, and in particular on business-to-business transactions. Reduction in state taxation of specific industries such as telecommunications (through lower rates, reduced property tax assessments, and so forth) has taken place as well. Focus has shifted recently to the diminishing relative importance of corporate income taxes as a state revenue source. Combined, these factors represent a significant lowering of the tax burden that is initially incident on business. This paper takes just one of these, the role of corporate income taxation, and seeks to investigate the extent to which the revenues have declined and some ways to reverse the pattern.*

**Robert Greenbaum and John Enberg, 2004, “The Impact of State Enterprise Zones on Urban Manufacturing Establishments”, *Journal of Policy Analysis and Management* 23(2):315-340.**

*Since the early 1980s, the vast majority of states have implemented enterprise zones. This paper analyzes urban zones in six states, examining the factors that states use to choose zone locations and the subsequent effect of the zones on business activity and employment. The source of outcome data is the U.S. Bureau of Census' longitudinal research database (LRD), which tracks manufacturing establishments over time. Matched sample and geographic comparison groups are created to measure the impact of zone policy on employment, establishment, shipment, payroll, and capital spending outcomes. Consistent with previous findings, the difference-in-difference estimates indicate that zones have little effect, on average. However, by exploiting the establishment-level data to examine gross as well as net changes, the analysis finds that zones have a positive effect on the outcomes of new establishments and a negative effect on the outcomes of previously existing establishments.*

**Daphne Kenyon, 1996, “A New State VAT? Lessons from New Hampshire,” *National Tax Journal*, 49(3): 381-99.**

*In 1993, New Hampshire became the second state in the United States to levy a form of value-added tax (VAT). This business enterprise tax (BET) is levied on firms' wages and other compensation, interest, and dividends, at a 0.25 percent rate. The BET contributes about one-fifth of total business tax revenues to the state; most of the rest is contributed by the business profits tax (BPT). The BET compares favorably to the BPT in terms of perceived equity, stability, efficiency, simplicity, growth, and competitiveness. The author concludes that a VAT can usefully serve as a complementary business tax instead of as a state's primary business tax.*

**Kelly Edmiston, 2002, “Strategic Apportionment of the State Corporate Income Tax: An Applied General Equilibrium Analysis”, *National Tax Journal*, 55(2): 239-62.**

**Bird, “Why Tax Corporations?” Working Paper 96 – 2, Technical Committee on Business Taxation, Department of Finance, Canada (December 1996).**

*Popular opinion seems to be that, if anything, corporations do not pay enough in taxes. In contrast, although economists recognize that it is often convenient to utilize corporations as agents to collect taxes from customers (sales taxes), employees (payroll and personal income taxes) and owners (dividend and withholding taxes), they often see no good reason why corporations as such should pay any taxes, particularly since corporation income (and capital) taxes may impose significant economic costs on society. This paper discusses this apparent divergence of views, noting a number of reasons why corporations as such might properly be taxed.*

**Harry Grubert, 2003, “Intangible Income, Intercompany Transactions, Income Shifting, and the Choice of Location”, *National Tax Journal* 56(1) Part 2: 221-242.**

*The links between intangible income, intercompany transactions, income shifting and the choice of location are investigated using data on U.S. parent corporations and their manufacturing subsidiaries. The objective is to better understand the income shifting process and its implications. In particular, do opportunities for income shifting distort “real” behavior such as the choice of location and the volume of intercompany transactions? Do prospective benefits from income shifting change behavior in both high-tax and low-tax locations? The results present a coherent, consistent picture. Income derived from R&D based intangibles accounts for about half of the income shifted from high-tax to low-tax countries. R&D intensive subsidiaries engage in a greater volume of intercompany transactions and, therefore, have more opportunities for income shifting. In addition, subsidiaries in locations with either very high or very low statutory tax rates, with a strong incentive to shift income in or out, also undertake a significantly larger volume of intercompany transactions. Finally, R&D intensive U.S. parent companies respond to the opportunities for income shifting by investing in countries with either very high or very low statutory tax rates. As a sidelight, we find that the allocation of debt among subsidiaries and the shifting of R&D based intangible income together account for virtually all of the observed difference in profitability between high and low tax countries.*

**David Brunori, “Corporate Income Taxes”, *State Tax Policy: A Political Perspective*, P103-118 (Ch7)**

**William Oakland and James A. Richardson, "A Layman's Guide to the Value-Added Tax," Appendix 10A, pp. 182-187, in Richardson (ed.) *Louisiana's Fiscal Alternative*, 1988.**

**Richard D. Pomp, “The Future of the State Corporate Income Tax: Reflections (and Confessions) of a Tax Lawyer,” in David Brunori (ed.), *The Future of State Taxation*, 1998.**

**William Oakland, “How Should Businesses Be Taxed?” chap 2, pp 17-34 in Thomas F. Pogue, *State Taxation of Business*, 1992**

**Walter Hellerstein, “Critical Issues in State Taxation of Telecommunications,” chap 11, pp 145-156, in Thomas F. Pogue, *State Taxation of Business*, 1992.**

**Richard McHugh, *Telecommunication Taxation: The Georgia Case*, Fiscal Research**

**Program, School of Policy Studies, Georgia State University, May 1996.**