

# Joint Economic Committee

Representative Pat Tiberi, Chairman

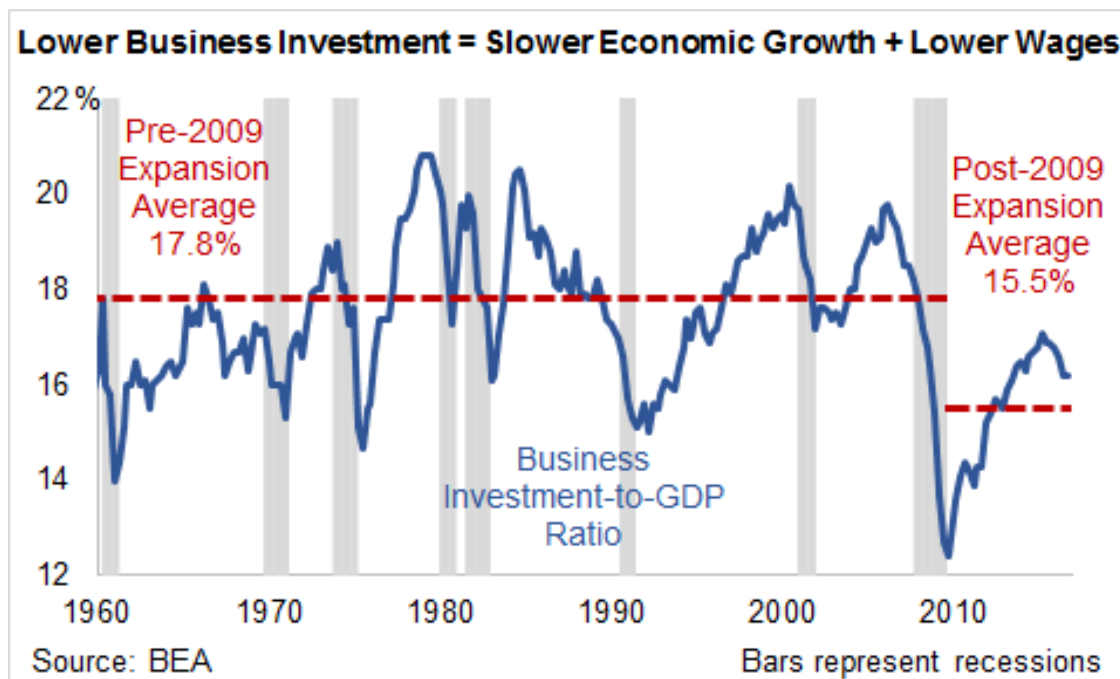
Senator Mike Lee, Vice-Chairman

April 18, 2017

## Ten Reasons to Reform the Tax Code

### *Tax Day Edition*

***REASON #10: Encouraging companies to invest in their businesses would create jobs, boost take-home pay for workers, and grow the economy.***



**Why business investment matters.** In the current recovery, business investment in new equipment, buildings, and land has lagged behind other modern recoveries and even declined last year. This kind of investment fuels the future growth of a business and spurs the [productivity](#) that helps boost wages for workers.

**Why the tax code discourages business investment.** Generally, instead of allowing an immediate tax deduction for the full cost of purchasing an asset (known as expensing), the tax code forces businesses to use complicated [depreciation schedules](#) to deduct the cost gradually over many years. As a result, companies are taxed on fictitious profits, not actual cash flow, and therefore may lack the cash to pay the tax. Congress provided [small businesses](#) with relief for buying equipment, but extending this to all businesses and all assets would boost investment and benefit many more workers.

**What would happen if all companies could deduct the full cost of assets when they're purchased?** The nonpartisan Tax Foundation estimates that over time [full expensing](#) would:

- Create the equivalent of over **one million full-time jobs**;
- Raise the incomes of low- and middle-income Americans by at least **4.9 percent**.
- Grow the economy by boosting long-run GDP by **5.4 percent**.