## CFO Magazine



# CFOs Prefer a Simpler Tax Code, Even If They Don't Save

**New Duke University/*CFO* Magazine Global Business Outlook Survey finds finance executives united in their desire for tax reform.**

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October 1, 2011

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There are many points on which most finance chiefs disagree with the country's chief executive, President Obama. But they are united in their desire to change the corporate tax code, whose statutory rate of 35% ranks as one of the world's highest.

The President called for a reduction of the corporate tax rate and the elimination of a variety of deductions in his September jobs speech. From the results of the most recent Duke University/*CFO* Magazine Global Business Outlook Survey, it would seem that most finance executives agree with the idea, at least in theory.

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Nearly half of the 494 U.S. finance chiefs surveyed say the corporate tax system in the U.S. is seriously flawed and needs a complete overhaul (see charts; for full survey results, see "CFO Optimism Takes a Hit"). Another 47% take a more moderate view, saying the system "has some flaws and needs some reforms." Just 6% say the system works reasonably well.

The number calling for major reform has jumped since *CFO* last polled finance executives on the topic in June, when there were more in the moderate camp and a substantial but smaller number — 39% — calling for a total overhaul. Since then, tax reform has become an even more prominent part of the national conversation, as lawmakers struggled through the debt ceiling negotiations and as the congressional committee that emerged from that debacle now works on identifying other ways to cut the national debt.

Showing their frustration with the complexity of the tax code and the time and money they spend to comply, 71% of CFOs say they'd be willing to give up all existing exemptions and credits in return for a reduction in the overall corporate rate — even though they might not come out ahead on their tax bill. Another 17% say they'd forgo exemptions for a lower rate because they believe their companies would end up paying less in taxes than they do today.

The results echo calls made by finance chiefs on Capitol Hill in May, when the CFOs of Kimberly-Clark, United Technologies, Zimmer Holdings, and Caterpillar testified before Congress that they were not interested in a holiday on the taxation of overseas profits. Instead, they said, they would prefer a uniformly simpler code. "Our system actually hinders success," said Greg Hayes, CFO of United Technologies, at the hearing. "It was designed when the U.S. was the dominant economy, and before globalization became an unmistakable market reality."

But if the elimination of all deductions were to become a reality, would all CFOs regard that as a victory? Particularly in industries like biotech and alternative energy, tax credits are hugely popular (see "Give-and-Take on R&D"). Meanwhile, large companies have the resources to drive down effective tax rates, sometimes to zero, while smaller firms do not. The united front that CFOs appear to manifest on reform may crumble when proposals become more specific.

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