The Broader Implications of the Global Minimum Tax
Agenda

REMI Introduction

Global Minimum Tax Background

Model Demonstration

Net Positive Investment Results

Net Negative Investment Results

Conclusion

Q&A
We are the nation’s leader in dynamic local, state and national policy modeling.

From the start, REMI has sought to improve public policy through economic modeling software that informs policies impacting our day-to-day lives.

We were founded in 1980 on a transformative idea: government decision-makers should test the economic effects of their policies before they’re implemented.

At REMI, we’re inspired by a single goal: improving public policies.
About Us

At REMI, we’re inspired by a single goal: improving public policies.

Our models are built for any state, county, or combination of counties in the United States.

Our Representative Clients

Our model users and consulting clients use REMI software solutions to perform rigorous economic analysis that critically influences policy.
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### What is a Global Minimum Tax?

- Signatories agree to 15% minimum tax rate
- Details on whether investments or hiring can be deducted are still being worked out
- Part Two of the OECD’s push to limiting tax base erosion and profit shifting (BEPS)

### What is motivating This Idea?

- Race to the bottom in corporate tax rates worldwide
- Profit Shifting

### Which Nations Have Agreed?

- 132 of 139 nations agreed as of July 9th
- Holdouts include Barbados, Estonia, Hungary, Ireland, Kenya, Nigeria, and Sri Lanka
Global Corporate Tax Rates Today

Corporate Tax Rates Have Continuously Declined over the Last 40 Years
Statutory Weighted and Unweighted Corporate Income Tax Rates, 1980-2020

What is motivating the GMT?

- Race to the bottom in corporate tax rates worldwide
- Profit Shifting

Note: The number of countries included in calculated averages varies by year due to missing corporate tax rates for years prior to 2020; that is, the 1980 average includes statutory corporate income tax rates of 74 jurisdictions representing roughly 60 percent of 1980 world GDP, compared to 177 jurisdictions representing above 95 percent of world GDP in 2020.

Sources: Statutory corporate income tax rates were compiled from various sources. GDP calculations are from the U.S. Department of Agriculture, "International Macroeconomics Data Set."
Global Corporate Tax Rates Today

Corporate Tax Rates around the World
Statutory Top Corporate Income Tax Rates, 2020

What is motivating the GMT?

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### Modeling Framework

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<th>Lost Profits</th>
<th>Altered Tax Outlook</th>
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<td>• Higher Taxes will cut into international corporations’ profits</td>
<td>• Nations that were attractive with low taxes, may be less desirable</td>
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<td>• This could result into lower investment or employment</td>
<td>• Other factors like quality of infrastructure, or legal system could hold greater weight</td>
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<td>• Spread over corporations’ global footprint</td>
<td>• Some nations could see increase investment and employment</td>
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Model Simulation: Variables and Levers

Scenario 1

- Intellectual Property Investment Spending
  - Increased by $5 Billion
  - Spread between regions by output

- Tangible Asset Investment Spending
  - Increased by $2 Billion
  - Spread between regions by output

- Consumer Prices
  - Increased by 0.025%

Scenario 2

- Reduced by $5 Billion
  - Spread by output

- Reduced by $2 Billion
  - Spread by output

what does REMI say?℠
1. OECD estimates that Profit Shifting results in a loss of $500-600 Billion in annual corporate tax income

2. OECD estimates that $70 Billion could be gained through Pillar Two Global Minimum Tax

3. This is $70 Billion in lost profit for global corporations who will then react in a two possible ways
   1. Reduce investment or employment
   2. Shift investment to other nations

4. These two competing factors will result in either a net gain or net loss in investment in the United States
PI+ is the premier software solution for conducting dynamic macroeconomic impact analysis of public policy.

As our flagship model, PI+ specializes in generating realistic year-by-year estimates of the total local, state, and national effects of any specific policy initiative.
Model Demonstration
Employment by Region
Output by Sector – No Inflation
Output by Sector - Inflation

Initial Drop caused by price increases, recovery follows as investment takes hold.

Large portion of gains lost with increased prices.
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**REMIsay** sm
Output by Sector – no inflation
Output by Sector – Inflation
## Conclusions and Notable Results

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<th>Employment and Output</th>
<th>Impact Concentrated in Intangible Assets</th>
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<td>• Not likely to cause boom or recession</td>
<td>• Software Development, Research and Development, Computer System Designs</td>
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<td>• Future updates to GMT could change this outlook</td>
<td>• Secondary Effects muted given low linkages to construction and natural resources</td>
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**Outlook depends on firm level response**

- Whether net change is positive or negative will determine US economy impact
- Magnitude of response will also determine impact

**Agreement Details are Important**

- Exempting investments in employment and capital will change outlook
- Number of countries that agree will impact power of global tax
Economic Modeling: Why does it matter?

- Clarify
  - Understand economic, fiscal and demographic implications of policies before implementation
  - Ensure that public policy serves the broad-based interests of the public

- Predict
  - Make predictions about the effects of policies before implementation
  - Avoid unwanted negative impacts
  - Make effective use of resources

- Inform
  - Inform policy with standard metrics rather than ideology or intention
  - Address stakeholders with evidence that communicates how policy benefits or disadvantages their communities broadly
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Thank you for attending!

For more information, please contact info@remi.com

