Effective Marginal Tax Rates on New Investment (in Percent)

	Current Law
Business	28.4
Corporate Business	30.3
Asset Type	
Equipment[a]	24.7
Structures[b]	29.4
Land[c]	36.3
Inventories[c,d]	39.5
Intangibles[e]	22.2
Financing	
Debt-financed	-1.8
Equity-financed	35.4
Pass-through Business	25.2
Owner-occupied Housing	-1.5
Total	21.0
Variation, Cost of Capital	
Standard Deviation	0.0152
Coefficient of Variation	0.2747

Source: US Department of the Treasury, Office of Tax Analysis

Notes: LIFO = last in first out; FIFO = first in first out; EMTR = effective marginal tax rates.

The effective marginal tax rates shown include firm-level taxes and individual-level taxes. The standard deviation of the cost of capital and the coefficient of variation are measures of the uniformity of the tax system. The standard deviation and the coefficient of variation equal zero with uniform taxation of all investments.

a. Equipment includes both nonresidential and residential equipment.

b. Structures include nonresidential, tenant-occupied, and owner-occupied structures.

c. The economic depreciation rate is set to zero and no tax depreciation is included when calculating EMTR.

d. For inventories, the effective marginal tax rate is calculated using a cost of capital that is a weighted average of the cost of capital under LIFO accounting and the cost of capital under FIFO accounting.

e. Intangible assets include research and development (R&D), artistic originals, and advertising. R&D and advertising are assumed to be expensed. Artistic originals are assumed to be depreciated over 15 years using the straight-line method.