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# **Executive Summary of Treasury Department Report**

## Comparison of the four principal integration prototypes

Issues	Prototype			
	Dividend Exclusion Prototype	Shareholder Allocation Prototype	CBIT Prototype	Imputation Credit Prototype
<b>Rates</b>				
a) Distributed Income	Corporate rate	Shareholder rate <sup>1</sup>	CBIT rate (31 percent)	Shareholder rate <sup>1</sup>
b) Retained Income <sup>2</sup>	Corporate rate (additional shareholder level tax depends on the treatment of capital gains; see Chapter 8)	Shareholder rate	CBIT rate (additional investor level tax depends on the treatment of capital gains; see Chapter 8)	Corporate rate (additional shareholder level tax depends on the treatment of capital gains; see Chapter 8)
<b>Treatment of non-corporate businesses</b>	Unaffected	Unaffected	CBIT applies to non-corporate businesses as well as corporations, except for very small businesses.	Unaffected
<b>Corporate tax preferences</b>	Does not extend preferences to shareholders. Preference income is subject to shareholder tax when distributed.	Extends preferences to shareholders.	Does not extend preferences to investors. Preference income is subject to compensatory tax or investor level tax when distributed.	Does not extend preferences to shareholders. Preference income is subject to shareholder tax when distributed.
<b>Tax-exempt investors</b>	Corporate equity income continues to bear one level of tax.	Corporate equity income continues to bear one level of tax.	A CBIT entity's equity income and income used to pay interest bear one level of tax.	Corporate equity income continues to bear one level of tax.
<b>Foreign source income</b>	Foreign taxes are creditable at the corporate level, but shielded income is subject to shareholder tax when distributed.	Foreign taxes are creditable at the corporate level and at the shareholder level.	Foreign taxes are creditable at the entity level, but shielded income is subject to compensatory tax or an investor level tax when distributed.	Foreign taxes are creditable at the corporate level, but shielded income is subject to shareholder tax when distributed.
<b>Foreign investors</b>	Corporate equity income continues to bear tax at the corporate level and current withholding taxes (eligible for treaty reduction) continue to apply to distributions.	Corporate equity income continues to bear tax at the corporate level and current withholding taxes (eligible for treaty reduction) continue to apply to distributions.	A CBIT entity's equity income and income used to pay interest bear tax only at the entity level, and no withholding taxes are imposed on distributions to equity holders or on payments of interest.	Corporate equity income continues to bear tax at the corporate level and current withholding taxes (eligible for treaty reduction) continue to apply to distributions.
<b>Treatment of debt</b>	Unaffected	Unaffected	Equalizes treatment of debt and equity	Unaffected (unless bondholder credit system adopted)

<sup>1</sup>Plus 3 percentage points of corporate level tax not creditable because the prototype retains the 34 percent corporate rate but provides credits at the 31 percent shareholder rate.

<sup>2</sup>Assuming no DRIP. See Chapter 9.