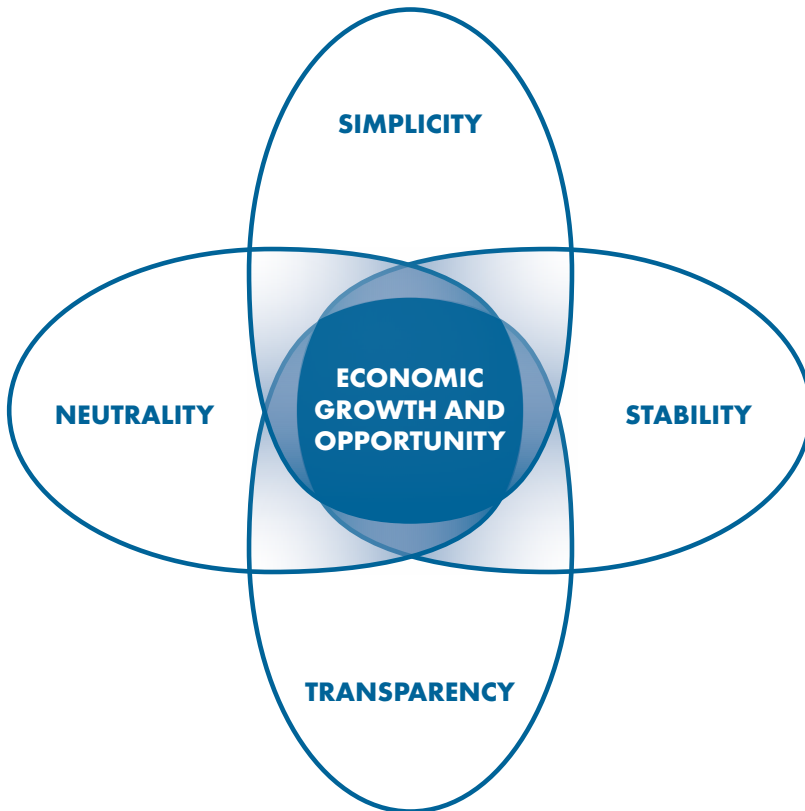




TAX FOUNDATION  | **2021 ANNUAL REPORT**

THE PRINCIPLES OF SOUND TAX POLICY



SIMPLICITY

Tax codes should be easy for taxpayers to comply with and for governments to administer and enforce.

STABILITY

Taxpayers deserve consistency and predictability in the tax code. Governments should avoid enacting temporary tax laws, including tax holidays, amnesties, and retroactive changes, and strive to establish stable revenue sources.

NEUTRALITY

Taxes should neither encourage nor discourage personal or business decisions. The purpose of taxes is to raise needed revenue, not to favor or punish specific industries, activities, and products. Minimizing tax preferences broadens the tax base, so that the government can raise sufficient revenue with lower rates.

TRANSPARENCY

Tax policies should clearly and plainly define what taxpayers must pay and when they must pay it. Hiding tax burdens in complex structures should be avoided. Additionally, any changes to the tax code should be made with careful consideration, input, and open hearings.

TABLE OF CONTENTS

Principled Work. Profound Change.	1
Engaged Experts	2
72 Hours to Change a Legacy	9
The Taxes and Growth Model: 10 Years That Changed the World	13
Making the Complicated Accessible To All: A Case Study	16
Tax Foundation's Cadence and Direction	18
We Have the Tools, Talent, and Strategy	21
Our Team and Board	22
Financials at a Glance	23
2021 Audited Financials	24

PRINCIPLED WORK. PROFOUND CHANGE.

I'm sure you've noticed, over the past several years, the national narrative has been "tax the rich" and people not paying their "fair share"—mantras that divide and pit people against each other, perpetuating the idea that someone cannot succeed without another failing.

Whether it's discouraging virtues like saving and investing or driving news stories based on leaked tax returns, in 2021 Americans needed someone to remind them that this is not "us versus them." Since 1937, the Tax Foundation's mission has remained the same: improve lives through smarter tax policy. Our principles of simplicity, transparency, stability, and neutrality have never wavered in 85 years. Our job is to be the adults in the room, to tell the economic truth even when it is not popular.

At the federal level, Tax Foundation challenged the narrative around President Biden's harmful signature Build Back Better plan. We welcomed more than 800 registered attendees at our first annual State Tax Policy Boot Camp. Our principles were discussed in European Union chambers and capitals like Athens, London, and Berlin.

You can read more about our progress, achievements, and challenges so I won't duplicate those details here, but I will tell you that the Tax Foundation truly made a difference in 2021.

Our Build Back Better research successfully defended hundreds of thousands of jobs that would have been lost if the plan passed. We helped legislatures in 13 states enact laws to reduce income tax rates, benefiting millions of taxpayers. Our TaxEDU resources were viewed over 1.1 million times, boosting the tax knowledge of everyday Americans, congressional staffers, journalists, influencers, policymakers, students, and teachers who can better cut through the noise and grasp the facts.

The Tax Foundation was able to excel on all fronts because we have become more than a high-powered research and communications organization. Our people, tools, and talent have integrated so seamlessly that we outproduce and outperform our peers in and out of the tax policy arena.

We are both honored and humbled to say that none of this would have happened without the continued generosity of our supporters. Our message of growth and opportunity for all is spreading. Last year our Development Team welcomed 977 new donors. The Tax Foundation was cited in 107 countries. Our digital audience increased by nearly 20,000 (that's an average of 384 new people every week!).

Our work continues, but we know how important it is to recognize and celebrate milestones, which is what this Annual Report is: a commemoration of 2021. Because you are an integral part of these successes, we want to share it with you. Metrics are a part of this story, but the greatest evidence of your impact lies behind the numbers, in the education and engagement that leads to profound and principled change at the personal level.

We hope you enjoy this look back and understand how valuable you are to the future we are working for, a world where the tax code does not stand in the way of success.

Sincerely,



Michael Ressegue
Vice President of Development

ENGAGED EXPERTS

ON THE HILL

In 2021, we went in with an understanding it would be an environment unfriendly to pro-growth tax policies. When we forecasted the year, we saw a number of alarming things: new and increased taxes, rollbacks of pro-growth policies, and inexperienced lawmakers and influencers at the helm.

Our team of policy, marketing and communications, operations, and development specialists crafted an engagement strategy leveraging our relationships, our Taxes and Growth (TAG) Model and tools, educational resources, and expertise. As of December 31, 2021, Build Back Better (BBB) was off the table, a wealth tax was not enacted, there was no increase in the estate tax or corporate income tax, and parts of the TCJA were not rolled back.

Because the Tax Foundation did not flinch, retreat, or sound the panic alarm, none of the forecasted tax policy storms came to pass.

In 2021, the Tax Foundation received:

- **3 congressional invitations to testify**
- **71 meetings on Capitol Hill**
- **535 live Tax Foundation University attendees**
- **3,800 Tax Foundation University video playbacks**

These numbers indicate new inroads and audiences, more educated and aware staffers, and a better understanding of our work on Capitol Hill.

The Tax Foundation lives up to our nonpartisan brand on Capitol Hill every day. Unlike other think tanks that claim to be nonpartisan, our research, tools, and experts are not interested in party lines or polling results, just transparency,

We ought to be worried about the impact of corporate taxes on women, low-skilled workers, and younger workers, since they are the very workers who have been most impacted by the COVID-19 crisis. Raising the corporate tax rate would simply hurt them even more.

— Scott A. Hodge,

March 26, 2021 testimony before the Senate Budget Committee



Scott A. Hodge testified before the Senate Finance Committee

simplicity, neutrality, and stability. This unique, unapologetic focus means we are not like a big box store with everything under one roof, but a boutique that specializes in one thing: principled tax policy.

Senator Kyrsten Sinema's (D-AZ) staff spent time with Tax Foundation policy experts in 2021 and learned that our objective, analytical approach and modeling resources were nothing to shy from. Throughout the year, our experts engaged in conversation about international and corporate tax changes. Other Democratic offices sought our counsel on State and Local Tax (SALT) deductions and capital gains taxes.

When policymakers need more information, when the Congressional Budget Office (CBO) or the Joint Committee on Taxation (JCT) are too slow, they call on the Tax Foundation—and we are ready to engage anywhere at any time because we are always prepared.

We want others to be more prepared too, which is why we evolved and grew Tax Foundation University. By providing this free online opportunity for congressional staffers to engage with our experts, we not only equip them

with valuable and timely insights on tax policy and economics, we also show any potential disagreements over tax policy issues will be met with facts and professionalism, not rhetoric and debate.

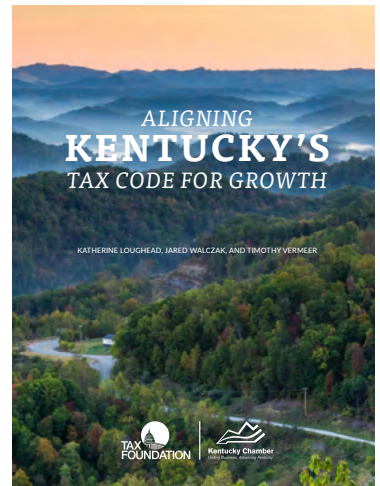
COAST TO COAST

The mainstream narrative for states going into 2021 was gloom and doom thanks to a projected avalanche of state budget deficits. The Tax Foundation's Center for State Tax Policy refuted that position and went into the year playing offense, and the results were even better than expected—because we were right: many states closed the fiscal year with a surplus in revenue.

Millions of taxpayers across 16 states benefited from principled tax policies. Five states—Arkansas, Louisiana, Oklahoma, New Hampshire, and North Carolina—enacted cuts for both individual and corporate tax rates. Eight states reduced individual tax rates, and three other states implemented tax rate cuts that were enacted in previous years. These reductions were paired with other pro-growth reforms,

In 2021, Tax Foundation kicked off two new projects to address the tax codes of Oklahoma and Kentucky.

After extensive study and taxpayer interviews, our experts produced two guidebooks outlining where these states can improve their tax codes. These books are the game plan for our work there for years to come.



like repealing the “convenience of the employer” rule that taxes individuals according to their office location rather than their physical work location.

- **North Carolina passed pro-growth tax reforms that reinforced its position as a business-friendly leader.**
- **Louisiana income and sales tax reform crossed the finish line after a multiyear effort.**
- **Arkansas started taking steps to be more regionally competitive on individual income tax.**
- **Oklahoma and Louisiana are both actively pursuing tax reform to become more attractive than their neighbor, Texas.**
- **South Carolina completely overhauled a local business tax regime, and no longer imposes it on gross receipts—a reform that had eluded lawmakers for decades.**

This kind of progress and success is only possible because the Center for State Tax Policy maintains an intense focus on intentionally engaging policymakers and influencers one-on-one and in small groups. Not only does this allow our experts to hear and see the stakes directly, but it also amplifies the message that we are invested in their success.

For example, Policy Analyst Janelle Fritts was on Zoom with several Louisiana legislative leaders and in-state partners discussing various tax reform plans. Janelle, in real time, scored each proposal. The plan they presented to voters was one that Janelle’s work heavily influenced.

When coupled with our Marketing and Communications Team, the Center for State Tax Policy is more effective than ever. Our team published an expansive book, *Kansas Tax Modernization: A Framework for Stable, Fair, Pro-Growth Reform*, in 2019. Those 143 pages survived three years of deliberations, a gubernatorial veto, and countless references, to see Kansas adopt six tax reforms in 2021, five of which were specifically recommended in our book, with the sixth being a reform we illustrated is pro-growth in other pieces we’ve written.

The Center for State Tax Policy does address broader audiences when it makes sense, like our State Tax Policy Boot Camp. These six online sessions led by Vice President for State Tax Policy Jared Walczak had an average of 1,049 viewers per session. Jared’s ability to provide a relevant agenda and attract new and seasoned tax policy staffers speaks to his familiarity with legislative issues and the needs of lawmakers.

As our experts began to travel again in the second half of 2021, policymakers, legislative staffers, and even think tank partners approached

OUR FLAGSHIP WORK

STATE "REVENUE CRISIS"

83,587 TOTAL WEB VIEWS

Fearmongering on state tax revenues permeated the tax debate in 2021 and the Tax Foundation met rhetoric with facts. Our research injected hard numbers into the debate, making national news of the fact that state revenues declined less than 0.2 percent in 2020 and that federal aid in the American Rescue Plan Act amounted to 116 times states' revenue losses.

STATE BUSINESS TAX CLIMATE INDEX (SBTCI)

137,605 TOTAL WEB VIEWS

The *SBTCI* uses a sophisticated matrix to rank states according to how competitive their tax code is at attracting new business and generating economic and employment growth. Lawmakers in states like Louisiana, North Carolina, Indiana, and Arkansas have cited their ranking as reason to pursue tax reform in their state.

LOCATION MATTERS

19,078 TOTAL WEB VIEWS

Policymakers, corporate executives, trade organizations, site-selection experts, and media organizations use our comparative analysis in *Location Matters* to advocate for a more competitive tax structure at the state level. No other study provides comprehensive comparisons of actual state business tax costs faced by real-world businesses.

OPTIONS FOR REFORMING AMERICA'S TAX CODE 2.0

65 REQUESTS FROM HILL OFFICES

Our research in this new book assisted lawmakers to craft pandemic policy responses that accelerated economic recovery, reduced the mounting deficit, and protected the most vulnerable when our team of economists modeled the effects of 70 tax reforms on the U.S. economy, distribution of the tax burden, and federal revenue.

FACTS & FIGURES

40,797 TOTAL WEB VIEWS

We have published and provided a copy of *Facts & Figures* to state policymakers since 1941 and offices anticipate receiving it every spring. Not only do they want to see if their state improved, but also if they have regional bragging rights.

INTERNATIONAL TAX COMPETITIVENESS INDEX (ITCI)

5,811 CITATIONS BY
INTERNATIONAL MEDIA

We analyzed developed countries' tax codes, measured their competitiveness and neutrality, and ranked each in this comparative study. The *ITCI* reached 93 percent more people in 2021 thanks to a targeted ad campaign, resulting in the Center for Global Tax Policy seeing over 2 million web views.

them with a new level of familiarity because they recognized Tax Foundation names and faces from our Boot Camp videos. In fact, the videos became so popular that they generated interest from policymakers who understood how truly nonpartisan we are. When Democratic lawmakers in Alaska asked Jared to testify, they said they were inspired to do so because members and staffers had participated in the Boot Camp. This trend continued in Utah, New Mexico, and Louisiana

State tax policy is the proverbial rising tide: when principled tax reforms are implemented, taxpayers benefit and competition is spurred between neighboring states, which leads to more principled tax reforms. North Carolinians may believe they are the only ones interested in the goings-on in Raleigh, but business executives in Tennessee or South Carolina looking for a more business-friendly climate take notice, and so do their legislators who want to keep those companies and jobs in their state.

AROUND THE WORLD

There is a critical need within the free-market global movement: research, data, and tools that measure growth, competitiveness, and opportunity on the international stage. Institutions like the European Union (EU) have historically seen taxes as a way to redistribute wealth and pay for social welfare programs. As a result, the idea that taxes can cause or prevent growth, prosperity, and investment has been lost. We must never lose sight of the fact that harmful ideas that start abroad can easily cross oceans and borders to take root here at home. That is why the Tax Foundation's Center for Global Tax Policy is constantly vigilant.

What This Means for America

Countries throughout the EU are in various stages of tax reform and we have seen repeatedly the tax policies that start abroad come to American state and/or federal legislatures. Consider the Digital Services Tax (DST), a policy that directs some multinational companies to pay taxes in countries where they have sales. The idea of a DST originated in the EU and made its way to Maryland in the form of a digital advertising

tax. In other words, if a tech company based in California ran an ad that appeared on a computer screen in Maryland, that California-based company would pay a tax to Maryland. Not only are there enormous regulatory and enforcement issues, there are also legal implications.

The Tax Foundation's Role

We believe the most effective way to protect individual and economic freedom in the United States is to limit the influence and spread of harmful policies like the DST abroad. In an environment like the EU where the only focus is "How much revenue will a tax raise?" the better question to ask is "What will a tax cost?"

The Tax Foundation's tools reflect our Principles of Sound Tax Policy. As importantly, our tools are embedded with our "neoclassical" view of economics that says that economic growth is impacted by how taxes impact the cost/supply of labor and the cost/amount of capital. Capital and labor are the most mobile factors in the economy, so they are the most sensitive to changes in tax policy, as seen in the case of the DST.

Compelling our pro-growth data and research into the debate will cause policymakers to either slow or reconsider their implementation of harmful policies. While our tools need to be front and center, the Tax Foundation has no intention of unilaterally imposing an agenda on our international partners. Instead, we provide the necessary tools to people with a deep sense of personal responsibility for their country, including policy think tanks, journalists, and influencers.

Past Success and Future Potential

In 2021, the Center for Global Tax Policy offered policy insights in conversations with lawmakers and high-level policy staff in the UK, the EU Parliament, Germany, Greece, Estonia, Lithuania, and Spain. These opportunities were the product of a relevant research agenda and years of building trusting relationships.



In Madrid, Scott A. Hodge explains the value of tax competition at the launch of the fifth edition of the *Regional Tax Competitiveness Index for Spain* alongside Roxana Nicula from the Fundación Para el Avance de la Libertad.

Staff on Capitol Hill and in the D.C. embassy community were regularly coming to the Tax Foundation to understand the implications of the global minimum tax and the challenges that Pillar 1 might create for U.S. businesses. This balance of global and U.S. tax policy debates led to events such as

- **Testifying at the UK All-Party Parliamentary Group for Taxation**
- **Testifying at the EU Parliament Tax Committee**
- **Presenting the *International Tax Competitiveness Index (ITCI)* to a roundtable of policymakers in Berlin**
- **Participating in a Digital Levy Webinar with the European Centre for International Political Economy in Brussels**
- **Releasing the *Spanish Regional Competitiveness Index* in Madrid**

Much of the global team's work in 2021 included analyzing the Build Back Better plan and its connection with ongoing global developments. We were in frequent discussions with major publications like *The Washington Post*, *The Wall Street Journal*, *Bloomberg*, and the *Financial Times* about how the international rules work and what the agreement might mean for U.S. competitiveness.

In addition to publishing timely and insightful analysis and building in-country partnerships, we have expanded the Tax Foundation's global reach through engagement with the media, email marketing, organic and paid social media promotion, and search engine optimization.

Our marketing efforts in Europe and throughout the Organisation for Economic Co-operation and Development (OECD) have led to a 120 percent increase in non-domestic web traffic. Views of the *ITCI* have grown from just over 34,000 in 2018 to 63,000 in 2021, a 46 percent increase.

Our interactive, country-by-country data pages, which include several dozen data points on each OECD country's tax system, have received 194,000 web views since their launch in August of 2020.

Likewise, our media citations in non-U.S. outlets have increased by 56 percent since 2018, from 3,690 to 5,811.

Our Twitter advertising campaigns—which target influencers in areas like Brussels and priority countries like the UK with tools like our biweekly European tax maps and our *Corporate Tax Rates Around the World* study—generated 3.3 million impressions and 245,000 engagements.

Spanish Index

This Spanish language publication has generated intense competition among Spain's 19 regions, leading to smarter tax policy on a local level across the country.

Grants

We provide modest grants to like-minded think tanks in Greece, Germany, and Spain to translate the *ITCI* so policymakers can receive pro-growth research in their native language and from an organization they know and trust.

Partners

In 2021, we worked with 21 think tank partners in 20 countries to collaborate with, assist, and support them on tax policy reform goals.

Tools

Our tax maps, *Capital Cost Recovery* study, *Corporate Tax Rates Around the World* analysis, *Tax Burden on Labor* paper, research on sources of government revenue, *ITCI*, and *Spanish Index* advanced our principles and pro-growth tools throughout 2021.

OUR DIFFERENCE

The Tax Foundation is as much about what is accomplished as it is about what is prevented. A world where tax policy does not stand in the way of success requires the encouragement and support of pro-growth ideas and the hindrance and redirection of harmful ones.

Our approach is rooted in relationships: regardless of party affiliation, tenure, reputation, or position in the professional hierarchy, Tax Foundation experts want to work with everyone in the tax policy arena, understand their goals and objectives, and help chart the best course of action.

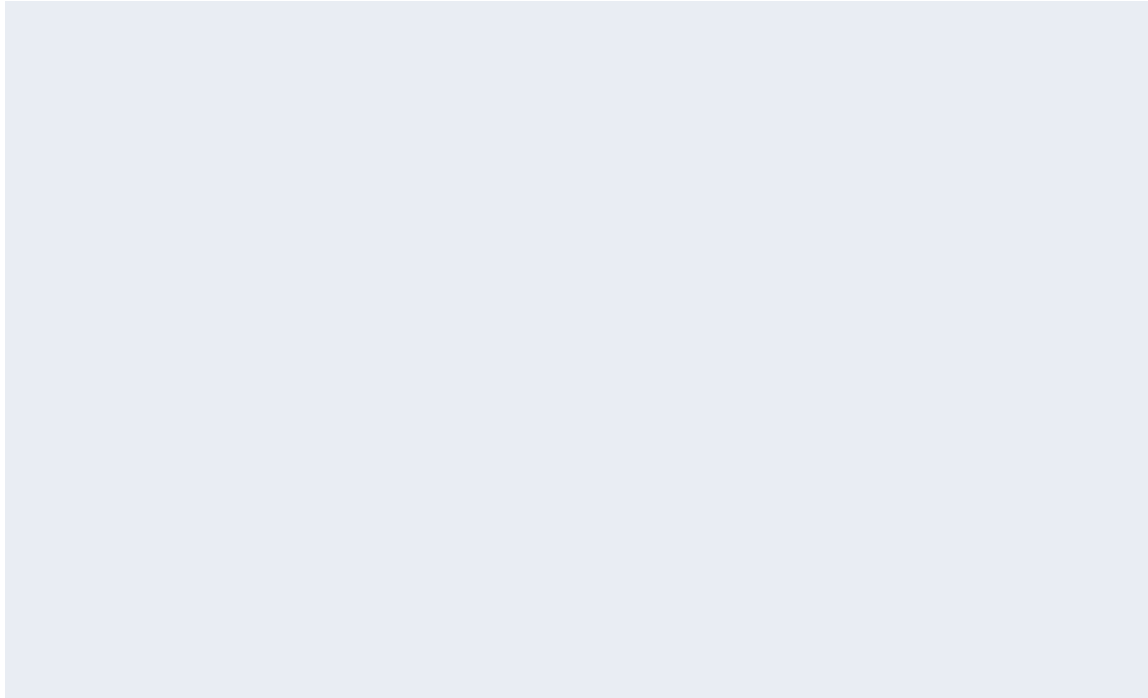
These relationships grow into partnerships nurtured by education. We are effective because we are dedicated to the advancement of principles, not politics. Whether it is a Socialist in Paris, a Republican in Sacramento, or a Democrat in the presidential administration, Tax Foundation works hard to build trust and open lines of communication.

Thanks to technology, generous supporters, and tenacious experts, 2021 was a tremendous year for pro-growth tax policy the world over. **TF**

72 Hours to Change a Legacy

Tax Foundation team members trickled into the conference room on Monday, September 13, many meeting each other face-to-face for the first time since being hired and others reuniting after a long pandemic shutdown. The goal of this two-day meeting was to write the organization's next five-year growth plan.

But then President Biden's signature legislation, Build Back Better, became public at 9 a.m. the first day, and the race to model, analyze, and publish the findings was on.



The Center for Federal Tax Policy experts occupied a back corner of the conference room. Coffee mugs, laptops, notepads and cups of pens, and power cords were scattered throughout the room—to outsiders, the scene might appear frantic, disorganized, and maybe raise the question of “Are they overreacting?” But to economists, especially tax policy experts, nothing was out of the ordinary.

That, however, is where the ordinary stopped.

Working in relative silence, five Tax Foundation experts deconstructed, allocated, and studied the 2,500-page House Ways and Means Build Back Better tax plan. Resident Fellow Cody Kallen, who built the TAG Model’s Corporate Tax Simulator earlier in the year, took changes to the international corporate tax code. Alex Durante claimed the pass-through business provisions. Having spent much of the year working with the Child Tax Credit, Erica York was responsible for changes within those pages. Remaining individual and corporate changes were taken by Garrett Watson.

Senior Economist Dr. Huaqun Li is the TAG Model’s modern architect and custodian. Not only did she assist her colleagues with dissecting the bill, but she also refined the coding and Model’s approach for the revenue, distribution,

Reading actual legislation isn’t usually a good way to understand a bill. Each line must be reviewed by legislative counsel to ensure it is legally doing what legislators intend. The Joint Committee on Tax (JCT) released a description document in tandem with the BBB text that summarized major provisions, ensuring our experts got it right the first time.

and economic impacts. When the plan was ready to be modeled, the TAG Model was also ready.

At this point in the sequence of events, the Tax Foundation’s extraordinary makeup was already on display. Among the intellectual diversity, technological preparedness, and organizational culture that understood the gravity of the situation, there was no place in Washington (or the world, for that matter) able to do what Tax Foundation was doing.

Unlike 2017, when one modeler stayed awake 36 consecutive hours working on the Tax Cuts and Jobs Act because only one user could operate the Model at a time, our entire Modeling Team was inputting BBB tax parameters simultaneously due to many upgrades in the years since. This competitive advantage was compounded by the fact that we had seen and modeled some provisions previously.

“Rejected tax policy proposals never really die in Washington, D.C.,” said Tax Foundation’s Scott A. Hodge. “Once something is invented, it’s always hovering around like it’s on some shelf, just in case people need it.”

Our TAG Model produced results that put the Biden administration’s claim that BBB would not hit working-class families in question. The data showed a reduction in Gross National Product, more than 100,000 full-time equivalent jobs lost, and lower wages.

On the third day, the analysis was complete and passed on to the Marketing and Communications Team for distribution. Reporters who had called, emailed, and texted every few hours had their questions answered and articles went to print. Proponents of BBB could no longer stand on talking points; they had to respond to these facts.

Just three days—72 hours—later, the narrative was changed.

Perhaps even more astonishing is the Tax Foundation was the only analytical presence in the Build Back Better space for weeks. We had an uninterrupted spotlight for 14 days and, even after other players came onto the stage, they were forced to compete with the Tax Foundation for credibility.

As the bill was revised in the House multiple times throughout the fall, we were able to quickly update our analysis each time and continue leading the debate.

ADVANCING AN OPTIMISTIC VISION FOR THE TAX CODE

We know it is not enough to be against things, we must also be for things as part of an optimistic vision for a tax code that benefits everyone. Since 1937, we have built a legacy on principles and doing what is right even if it is not popular. In many ways, our 2014 modeling of Rep. Dave Camp’s tax reform plan and 2021 analysis of the Build Back Better were quite similar.

TAX FOUNDATION’S 6-STEP RESPONSE TO BUILD BACK BETTER

- 1 Comb through the text and legalese description documents to identify the individual, business, and international tax change details.
- 2 Organize those changes into categories and assign them to team members based on expertise for modeling and analysis.
- 3 Refine the TAG Model’s coding and approach for more precise and detailed revenue, economic, and distributional impacts.
- 4 All Modeling Team members simultaneously run their portion through the TAG Model.
- 5 Assemble, analyze, write, and present the results in useful, easy-to-understand ways and send everything to editing and layout.
- 6 Marketing and Communications receive the approved and final documents and disseminate everything through all digital, traditional, and professional networks.

When Rep. Camp, Chair of the House Ways and Means Committee, presented a tax reform plan in 2014 he claimed it was revenue neutral. It was, but at a high cost. While static tax models agreed the plan was good on paper, our dynamic model indicated that a revenue-neutral plan would come at the cost of substantial tax hikes and no economic growth.



Likewise in 2021, when the Tax Policy Center, a joint project of the Urban Institute and Brookings Institution, released its static analysis of the Democratic-led Ways and Means Committee BBB plan, the corporate tax increases were conveniently omitted because it would have shown that workers would bear some of that tax burden through lower incomes. Our dynamic model showed for every \$1 in new tax revenues raised by BBB, it would shrink the U.S. economy by more than \$1.

We were not popular with the policymakers who drafted the proposals, but the Tax Foundation has never been interested in being liked. We envision a world where the tax code does not stand in the way of success. We are working to improve lives through improved tax policies.

The Tax Foundation is for transparency, simplicity, neutrality, and stability. We are advocating for taxpayers, present and future. The tax code stands between individuals and their liberty, so we will work with anyone—Republican, Democrat, Independent, Libertarian, Green—to remove the obstacles. **TF**

Tax Foundation is comprised of talented individuals who are high-performing on their own, but when they engage in a comprehensive strategy as a team, the results are nothing short of phenomenal. Whether it's policy, marketing, development, or administration, our experts will lead the way.

THE TAXES AND GROWTH MODEL: 10 YEARS THAT CHANGED THE WORLD

Tax policy has historically been treated like a sterile math problem: an increase in X and a decrease in Y equals Z. But you don't have to be an economist to know that is not how things work in real life.

The Tax Foundation turned the tax policy scoring world on its head by making dynamic—not static—scoring the norm. Static scoring assumes that tax changes don't affect behavior of individuals or firms, and therefore have no impact on growth. Dynamic scoring, on the other hand, assumes that tax changes influence the amount of savings and investment—the engine of economic growth.

We disrupted the static scoring narrative when we publicly debuted the TAG Model during the Fiscal Cliff Crisis of 2012. By 2017, our case for dynamic scoring was strong enough that Congress leaned heavily on our TAG Model while drafting the Tax Cuts and Jobs Act. In 2020, our rapid and politically agnostic TAG Model analysis made Tax Foundation the undisputed independent scorekeeper for presidential candidate tax plans.

Our TAG Model is the most sophisticated dynamic tax model in Washington thanks to generous supporters who share our vision of a world where taxes do not stand in the way of success. We were honored to celebrate 10 years of the TAG Model in 2021.

AN OVERVIEW OF A WORKHORSE

No other group has tools like the Tax Foundation, so no other group can influence the direction of tax policy like we can. We take our ability to be an effective, insightful, and reliable first responder to fast-breaking developments in tax policy very seriously.

Tax Foundation policy experts use comprehensive datasets to produce in-depth reports and commentary used by policymakers, Hill staffers, journalists, corporations, and influencers. Our TAG Model is used daily and works fast enough to generate real-time data so Tax Foundation's input on policy proposals consistently arrives days, if not weeks, ahead of our competitors.

The TAG Model consists of two parts: the Tax Simulator and the Macro-Economic Model. Both work together to produce a three-dimensional dataset that analysts can use to determine how a tax policy will impact saving, investments, entrepreneurship, and general quality of life. The Tax Simulator calculates a tax policy's effect on individuals. How many people will be added to or removed from the tax rolls? How will that shift affect the tax burden of each tax bracket?

The Macro-Economic Model estimates a tax policy's effect on business by calculating the changes in capital and labor. Evidence has shown time and again higher corporate taxes lead to higher prices for consumers and lower wages for employees, especially low-skilled, young, and female workers. The TAG Model can answer questions like, will a company's tax bill encourage or discourage investing in new facilities and employees? How will wages be affected across certain industries?

Once these parameters of the proposed policy are processed, the TAG Model can further calculate how much revenue the federal government will actually collect, the degree wages will be raised or lowered, the number of jobs created or lost, and whether the economy as a whole (that is, the GDP) will grow or shrink.

ANATOMY OF THE TAG MODEL



THE EVOLUTION OF A REVOLUTIONARY TOOL

When we launched the TAG Model program a decade ago, the tax code seemed much simpler than it is today. Never in our wildest dreams did we think we would someday have to model complex policies such as the GILTI tax, Sen. Elizabeth Warren’s (D-MA) wealth tax, a tax on corporate book income, or Sen. Ron Wyden’s (D-OR) proposed tax on unrealized gains. But these are the challenges that our Modeling Team face every day, and they have risen to the challenge.

2011 The Tax Foundation merged with the Institute for Research on the Economics of Taxation (IRET) and its dynamic model served as the foundation of our Dynamic Tax Modeling Project.

2012 Static scoring showed the American Taxpayer Relief Act of 2012 tax hikes would bring in \$82 billion per year, hitting only high-income Americans, but our TAG Model’s dynamic score showed revenue would only be \$29 billion per year and lower incomes for the poor and

middle class. Later IRS tax returns showed our analysis was correct, especially when it came to income shifting.

2013 The Tax Foundation’s Marketing and Communications Team used the TAG Model to generate enough momentum to start changing the way Washington thought about tax policy. Lawmakers started asking of their proposals, “Does it create growth?”

2014 The credibility of the TAG Model and our commitment to our Principles of Sound Tax Policy were put to the test when we modeled Rep. Dave Camp’s (R-MI) tax plan. The Model showed little to no economic growth. The pressure to produce data that supported the plan was severe, but we stood firm and prevailed.

The Tax Foundation is committed to maintaining and improving the model going forward, bringing it ever-closer to a comprehensive tool for designing sound fiscal policy. I leave this work in highly competent and enthusiastic hands. One of my great professional joys has been watching the next generation of tax policy and modeling experts here at the Tax Foundation take the reins of my life's work

— Stephen J. Entin

Senior Fellow Emeritus, Tax Foundation

- 2015** During the October 28 presidential candidate debate, the Tax Foundation analysis was cited six times as 10 of the 11 Republican candidates asked the Tax Foundation to model their tax plans and heeded our advice on making them more pro-growth. This publicity and unified presentation led to record website traffic, media citations, social media engagement, and better understanding of dynamic scoring.
- 2016** The Tax Foundation put a first-of-its kind dynamic scoring reference guide in every congressional office, as well as on our website, and it proved to be so useful it generated 49 Hill meetings and over 3,100 copies were distributed. *Options for Reforming America's Tax Code* was the compilation of our research and analysis of 86 commonly proposed tax changes that we ran through the TAG Model and put dynamic scoring at the forefront of the debate for both parties.
- 2017** The TAG Model completed runs for 808 variations of the Tax Cuts and Jobs Act, making the Tax Foundation the central hub for policymakers, journalists, and tax policy agencies. Our small team of economists put in three all-night marathons to provide up-to-the-minute analysis.
- 2018** The Tax Foundation used the TAG Model to begin changing the narrative around the trade war by giving people real numbers for how President Trump's tariffs would impact revenue, GDP, wages, and jobs. This tool contributed to our social media audience growing by 12 percent on Twitter, 10 percent on Facebook, and 83 percent on LinkedIn.
- 2019** The TAG Model got significant upgrades that allowed for multiple concurrent users, faster runs, more detailed results, and measuring how government spending (in addition to taxation) impacts the economy. We rebuilt the Model from 1,300 linked Excel spreadsheets on Python, a more modern programming language, securing the technology for years to come.
- 2020** In order to yield information about tax policy's effects on American households, our Modeling Team started infusing demographic data from the U.S. Census Bureau and other sources into the TAG Model. This enhancement served as the foundation for our Savers and Investors Program and spurred 49 publications analyzing the Biden administration's proposals' effects on people who can and want to make strides toward prosperity.
- 2021** When President Biden proposed doubling the Global Intangible Low-Tax Income (GILTI) rate, the TAG Model was the sole source of dynamic scoring thanks to our forward thinking and new corporate tax simulator. Exclusive GILTI data and analysis was a significant reason Tax Foundation's website traffic was over six times that of our closest competitor, Tax Policy Center. **TF**

MAKING THE COMPLICATED ACCESSIBLE TO ALL: A CASE STUDY

Thanks to President Biden’s proposal to repeal step-up in basis, the arcane tax provision that allows estates to pass assets on to heirs without paying capital gains taxes, the number one question we got in 2021 was, “What is step-up in basis?” Because of the Tax Foundation’s rapid response abilities, unmatched TAG Model, and investment in our new educational platform TaxEDU, step-up in basis (which combined with other Biden Administration budget proposals amounted to a 61 percent tax on wealth) was dropped from the American Families Plan.

How did a little-known provision buried in a massive legislative proposal become headline news?

It started with Senior Policy Analyst Garrett Watson closely analyzing the American Families Plan. He discovered something astounding: a 61 percent tax on wealth, and not the kind of wealth people think of when they hear the word. This policy would fall heavily on family-owned farms and small businesses. He took his findings to Tax Foundation’s Scott A. Hodge, and the two wrote a blog post.

Then, Marketing and Communications were brought in to develop the plan to expose this harmful proposal. While a call was made to *The Wall Street Journal*, Manager of Education and Outreach Zoe Callaway added step-up in basis to the TaxEDU platform on the Tax Foundation’s website. As soon as the definition was published in the glossary, a hyperlink occurred on every single webpage wherever “step-up in basis” appeared. As people came upon the term on a Tax Foundation page, they could simply hover over the word and have direct access to the definition with the option to access more information.

Next, the blog post was formatted and primed for Search Engine Optimization (SEO), published, and the link loaded into Tax Foundation’s social media channels. *The Wall Street Journal* published

its article the following day and other outlets quickly followed suit. Zoe emailed her network of 24,178, pointing them to Tax Foundation resources. Senior Government Affairs Associate Tyler Parks had a wealth of information about the proposal to give people on the Hill. Our website and policy experts were ready to receive anyone looking for more information on step-up in basis, and the inquiries came in droves.

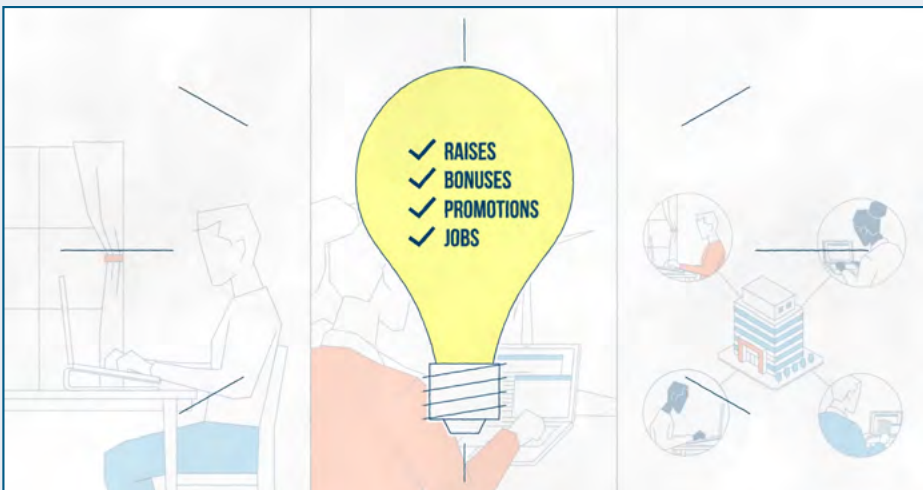
The growing sophistication of economics has outpaced public education and everyday Americans have been left behind. Without economic literacy, taxpayers cannot fully grasp how policies will impact their wallets, businesses, or local economy. Equally concerning are the legislators and staffers who do not have the proper tools or knowledge to understand the trade-offs of their own tax proposals. Had the Tax Foundation not stepped in, step-up in basis would have crushed family farms, restaurants, and other small businesses.

Tax Foundation’s TaxEDU is actively arming American taxpayers with the facts so ideas like repealing step-up in basis will stop before they even get started. This is just one example of the myriad of issues we tackle on a daily basis to ensure all Americans are engaged in the tax policy debate through facts and numbers. **TF**

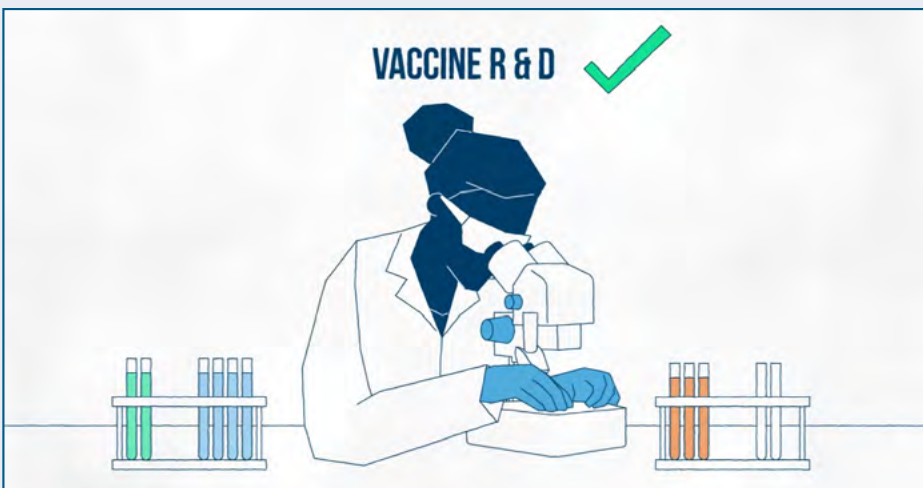
NEW EDUCATIONAL VIDEOS



GILTI: Foreign Tax, Local Impact



Who Bears the Burden of the Corporate Income Tax?



Going Beyond the Headlines: Understanding Corporate Taxes

TAX FOUNDATION'S CADENCE AND DIRECTION

The Tax Foundation's Marketing and Communications team has become central to getting our work in front of the various, and often highly specialized, audiences that are essential to making our efforts most effective.

Everything that the Tax Foundation publishes first goes across the desk of our editor. Rachel Shuster uses more than 35 years of experience as a newspaper reporter and editor to review each document, making sure not only that everyday Americans can understand it, but also that the tone, grammar, and syntax align with the Tax Foundation standards. We published nearly 500 pieces of analysis in 2021, in addition to upwards of 100 development projects and dozens of slide decks for presentations—all of which had to receive Rachel's stamp of approval.

500+ PIECES OF ANALYSIS

Once the text is approved, the file moves to Dan Carvajal, the Tax Foundation's Senior Graphic Designer. Dan is the keeper of the Tax Foundation's visual brand, so he is responsible for everything from fonts to colors, even paper texture and weight. Branding is very strategic and, when you look at a piece of collateral and know it's from the Tax Foundation because it has a certain "look," that is because Dan has forged that association in each publication to present a consistent and clear aesthetic.

1,372 REPORT PAGES LAID OUT

Vice President of Marketing and Communications Colby Pastre oversees the release strategy. Depending on the audience, purpose, and medium, Colby develops a plan that involves digital publication, traditional promotion, social media, paid advertising, email marketing, media engagement, TaxEDU integration, and Hill outreach. He works with each specialist on his team to execute every piece of the operation.

23.1 MILLION WEB VIEWS

Only after these three steps does a Tax Foundation project reach what most people think of when they hear "Marketing and Communications": publication and distribution. Every blog, white paper, book, map, and testimony is published on TaxFoundation.org. Marketing Manager Kevin Kaufman formats each file for the web, both desktop and mobile, to give viewers a seamless visual experience. An expert in Search Engine Optimization (SEO), Kevin tailors headlines and keywords so Tax Foundation results appear on Google ahead of our competitors.

RANKED 4TH OUT OF 306 THINK TANKS IN SEO PERFORMANCE



Cited by the top U.S. media outlets.

Senior Government Affairs Associate Tyler Parks has spent three years cultivating and keeping relationships on Capitol Hill with legislators, schedulers, and staffers, even during the pandemic. When new data and analysis is published, Tyler activates his network, calling to set up meetings for policy experts and emailing resources ahead of time to forge new inroads with legislative offices. Because he maintains open lines of communication and invitations for collaboration, the Tax Foundation has a competitive edge over other think tanks that only offer one-way communication on the Hill.

71 IN-PERSON MEETINGS ON CAPITOL HILL

Communications Manager Jesse Solis uses his degree in economics and previous experience as Deputy Director of Communications for the House Ways and Means Republican staff to engage reporters in an authentic and compelling way. He fields questions from the media and directs others to policy experts, has intimate knowledge of how the legislative process works, and a knack for explaining things in a way that helps people see the bigger picture. Jesse knows which topics to pitch to whom and how each audience best receives information.

30,725 TOTAL MEDIA CITATIONS

In 2021, the Tax Foundation brought Zoe Callaway on as the Manager of Education and Outreach. Much like her well-connected colleagues, Zoe has a vast network of professors, educators, professional associations, and educational societies primed to receive new information from Tax Foundation. She updates the TaxEDU platform and then activates her network to drive traffic to the site and incorporate the new materials into our partners' curriculum.

1.1 MILLION TaxEDU WEBSITE WEB VIEWS

'37 | NINETEEN THIRTY-SEVEN SOCIETY

I'm now at the point in my life where I'm starting to think about my legacy and that means thinking about my will and estate plans. I want to make sure that my kids are taken care of, but I've also been thinking about the country my kids will live in when I'm gone.

Will they still enjoy a free enterprise economy and limitless opportunities, or will the crushing burden of high taxes and big government dim their prospects? And, what can I do to influence that?

We often think of estate planning as a complicated process that only those with huge estates must deal with. But the truth is, if we want to do more to protect what we believe in, a planned giving contribution is an ideal way to ensure our wishes are honored. Whether you have an IRA, stock or bond holdings, savings account, piece of property or fine art, even jewelry or coins, you can name Tax Foundation as a beneficiary in your will—just as I have.

I could leave everything I have to my family, but I need to do more than that—I need to defend the country where they will live, work, and raise a family. That's why I asked my attorney to include Tax Foundation in my will. I can count on them to continue carrying the torch for sound tax policy.

Tax Foundation will outlive all of us, but we can continue with them through our legacy gifts.



Michael Vogler
Senior Officer, Development and Partnerships
Tax Foundation

What is the 1937 Society?

The 1937 Society is a group of people who want to support our mission with a legacy gift, so they include the Tax Foundation in their estate plans.

How will my gift be used?

The proceeds from your legacy gift will go directly to the Tax Foundation's vision of a world where the tax code does not stand in the way of success. We also have naming opportunities and specific programs we can discuss with you.

How do I join?

You can get more information by contacting **Senior Development Officer Michael Vogler** at vogler@taxfoundation.org, but your attorney will help make sure your plans, wishes, and documents are respected.

WE HAVE THE TOOLS, TALENT, AND STRATEGY

We could see some tremendous instability over the next five years. As the pendulum of power swings between political parties, we believe the Tax Foundation has the opportunity to be the calm, effective, and rational voice that rises above the noise.

Unlike so many other groups that are sidelined if their aligned party is not in the Oval Office, Capitol Hill, or in the majority in state capitals, the Tax Foundation is relevant and influential no matter who is elected. What is it that makes us so different?

For starters, you can't game our tools. Politicians like to spin the reality of their tax plans, but our models, indices, and calculators only deal with facts, not rhetoric. For example, anyone can say a proposal will make a state more attractive to business investment, but our *State Business Tax Climate Index* evaluates those policies based on the evidence of empirical research.

Talent and premier expertise are other reasons policymakers from both sides of the aisle look to the Tax Foundation for insight. Other groups dabble in tax policy, but that is all we do. Day in and day out, our experts are saturated in tax policy and our mission does not allow them to be sidetracked. The Tax Foundation has become recognized as a prestigious and desirable place to work for tax policy, marketing and communications, and development specialists. Any time that much expertise is under one roof, you are going to achieve incredible things.

Finally, we leave you with the very plain fact that the Tax Foundation is not afraid to do what it takes to protect growth and prosperity. Standing only on ideology to affect change is like shouting into the wind, but Tax Foundation puts proverbial "boots on the ground" and regularly gets into legislative offices, gubernatorial schedules, and international hearings

Over 85 years, the Tax Foundation has become the preeminent tax policy "do" tank. Other groups are ceding the tax policy space to the Tax Foundation because they know they can't compete.

We hope these points show you that if you care about economic growth and opportunity the way all of us do, the Tax Foundation is where you should give your support.

— YOUR TAX FOUNDATION TEAM

OUR TEAM AND BOARD

OUR TEAM

Adam Hoffer

Alex Durante

Alex Muresianu

Andrew Sloan

Ashley McCully

Cassandra Brown

Cody Kallen

Colby Pastre

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Daniel Bunn

Erica York

Garrett Watson

Huaqun Li

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Jared Walczak

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Josh Jaye

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Kevin Kaufman

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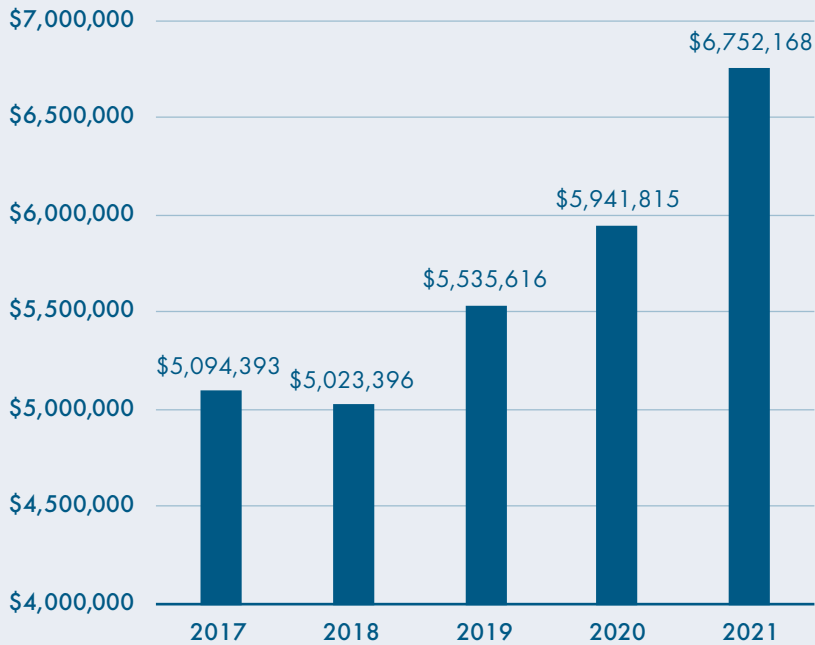
Tax Policy Counsel
Microsoft Corporation

Mr. Scott Hodge

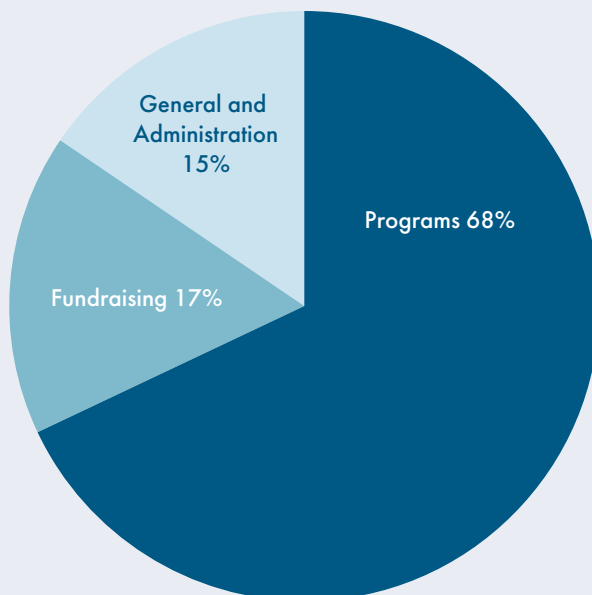
President
Tax Foundation

FINANCIALS AT A GLANCE

YEAR BY YEAR REVENUE



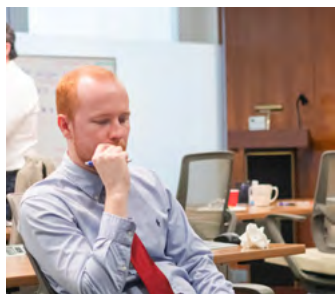
2021 SPENDING



2021 AUDITED FINANCIALS

YEAR ENDED DECEMBER 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND SUPPORT			
Grants and Contributions	4,874,736	939,500	5,814,236
Fundraising Event			
Annual Dinner	923,704	-	923,704
Less: Direct Costs	(378,959)	-	(378,959)
Net Revenue from Fundraising Event	544,745	-	544,745
Investment Income, Net	380,759	-	380,759
Honoraria and Reimbursements	1,428	-	1,428
In-kind contributions	11,000	-	11,000
Net Assets Released from Restrictions	1,140,423	(1,140,423)	-
Total Revenue and Support	6,953,091	(200,923)	6,752,168
EXPENSES			
Program Services:			
Federal Tax Policy	1,564,173	-	1,564,173
State Tax Policy	1,072,159	-	1,072,159
Research and Communication	789,951	-	789,951
Global Tax Reform	449,361	-	449,361
Total Program Services	3,875,644	-	3,875,644
Support Services:			
General and Administration	884,154	-	884,154
Fundraising	942,679	-	942,679
Total Support Services	1,826,833	-	1,826,833
Total Expenses	5,702,477	-	5,702,477
CHANGE IN NET ASSETS	1,250,614	(200,923)	1,049,691
NET ASSETS, beginning of year	3,328,619	752,484	4,081,103
NET ASSETS, end of year	4,579,233	551,561	5,130,794



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