

Graduated corporate rates are inequitable—that is, the size of a corporation bears no necessary relation to the income levels of the owners; low-income corporations may be owned by individuals with high incomes, and high-income corporations may be owned by individuals with low incomes. A single-rate system minimizes the incentive for firms to engage in economically wasteful tax planning to mitigate the damage of higher marginal tax rates that some states levy as taxable income rises.