FOR A GRAND FRENCH SUPPLY-SIDE POLICY

THE RECIPES OF DONALD TRUMP'S AND JOE BIDEN'S SUPPLY-SIDE POLICY

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FOREWORD

France suffers from a public debate that is harmful to companies, even though companies and entrepreneurs have never enjoyed such a positive image in opinion surveys. According to an Elabe survey published in June 2023, **74% of French people have a "good image" of companies**. Likewise, **85% of French people have an excellent image of entrepreneurs**, according to the latest Odoxa barometer for Capital in April 2025.

Yet companies have never been so widely singled out as scapegoats for France's economic problems, as budget studies show. If the public deficit now peaks at nearly 150 billion euros in 2026, it is supposedly because the State "helps companies too much". This narrative has opened the way for criticism of the supply-side policy pursued by the President of the Republic since 2017-2018. And **yet, what if supply-side policy has never gone far enough in France?**

Two business leaders, one based in France and the other in the United States, are considering investing the equivalent of 100,000 euros in new industrial equipment. **On paper, the tax burden on their companies has become remarkably close since 2022, with a corporate income tax (CIT) rate of 25% in France and 25.8% across the Atlantic, once federal and local taxes are combined.** If one stopped at this figure, which has dominated the French public debate since the CIT reform carried out between 2017 and 2022, one would conclude that the tax competitiveness of the two countries is now equivalent. This conclusion is nevertheless wrong, and the error is precisely the one this study sets out to correct.

The nominal CIT rate answers one question: what share of the profits made goes to the State? Yet this is not the question a business leader asks when signing a purchase order. The question is rather: how much will this investment really cost me, after tax, in the years that follow, and when will the tax saving on it be available? The answer certainly depends on the rate, but also on depreciation rules, that is, the pace at which the value of the investment can be deducted from taxable income. Two countries with an identical CIT rate can therefore offer radically different investment incentives. This is what has happened between France and the United States since 2017, without it being addressed in the public debate.

This study therefore starts from a surprising finding: **on the two indicators that economists have developed to measure this real cost (the EMTR formalised by King and Fullerton and the EATR developed by Devereux and Griffith), both published every year by the US Treasury for all OECD countries, but which France does not officially**

calculate, our country was in an overall favourable position in 2023 compared with our transatlantic partner. Without claiming it, and without even knowing it, France won a round it thought it had lost in 2017.

This victory is fragile, however, for a simple reason: it is not the result of a strategy designed for that purpose. **France's advantage on industrial equipment stems from the absence of property tax on machinery and from a declining-balance depreciation method that nobody ever conceived as a competitiveness instrument.** The improvement in France's position on the overall EATR comes almost exclusively from the cut in the nominal CIT rate begun in 2017, whereas this lever can no longer be pulled further and covers only part of the tax equation. Meanwhile, the United States made the opposite choice: freezing the federal rate since 2017 and focusing its action on the tax base through a mechanism, *bonus depreciation*, which Congress made permanent a year ago and extended, for the first time, to industrial buildings.

The first part traces the logic of the American reforms, from the TCJA to the OBBBA, and their empirical record. The second introduces the EMTR and EATR indicators and analyses France's position relative to that of the United States over the 2017-2023 period, before assessing the changes brought about by the OBBBA. The third part examines French tax policy in the light of this framework, through the CIT reform between 2017 and 2022, the research tax credit and the forgotten precedent of the 2015-2017 over-depreciation scheme, before setting out proposals.

The aim of this study is therefore not to play Cassandra by announcing a new French tax defeat. Reality is far more nuanced and, in some respects, far more favourable to France than is commonly believed. The ambition of this article is for France to step up its supply-side policy in an increasingly competitive world.

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US SUPPLY-SIDE POLICY (2017-2025)

THE TAX CUTS AND JOBS ACT (TCJA), A PARADIGM SHIFT

A HISTORIC BREAK SINCE THE REAGAN ERA

In December 2017, the US Congress passed the *Tax Cuts and Jobs Act* (TCJA), a tax reform of a scale unprecedented since the Reagan years[1]. Out of intellectual disdain for neoliberal economic policies, the historic significance of the measure has been played down. The story told by commentators on both sides of the Atlantic is that of a break with the Obama era: **by cutting corporate income tax from 35% to 21%, Trump gave American companies a decisive competitive advantage**[2]. It is this measure that attracts all the commentary, praise and criticism. Yet it is not the most original innovation in the law.

Indeed, once combined with the average corporate taxes levied at state and local level, **the 21% federal rate gives a corporate tax rate of 25.8% in 2023, identical to the French rate!**[3] If the cut in the nominal rate had been the only measure in the TCJA, France and the United States would today be on an equal tax footing. This is clearly not the case, which means that the measure is far more comprehensive than it appears.

A CUT IN THE CIT RATE... BUT NOT ONLY

The historic break is *bonus depreciation*, raised to 100% by the TCJA[4]. The mechanism deserves closer attention.

Under a standard depreciation regime, a company that acquires industrial equipment for 100,000 dollars deducts its value from taxable income in instalments spread over the useful life of the asset. **Under this regime, the tax saving is real but deferred: the company recovers its tax deduction year after year. With 100% *bonus depreciation*, the company deducts the entire value of the asset in the year of acquisition**.

4 **Boittin J.-F.** (2020), « Quel a été l'impact de la réforme fiscale de décembre 2017 sur l'économie américaine » (What was the impact of the December 2017 tax reform on the US economy?), CEPII (le blog), 13 January 2020.
4 Tax Cuts and Jobs Act, Public Law 115-97, 22 December 2017.
4 **US Department of the Treasury** (2024), *Overall Effective Tax Rates*, Office of Tax Analysis, December 2024.
4 Tax Cuts and Jobs Act, Public Law 115-97, 22 December 2017.

Consequently, for the same 100,000-dollar piece of equipment, with a corporate tax rate of 25%, it benefits from a tax reduction of 25,000 dollars in the very first year[5]. **This tax mechanism therefore facilitates investment decisions.** It is not the headline rate that determines whether a business leader signs the purchase order for a machine tool; it is what the machine really costs, after tax, on the day the expense is incurred.

The available empirical data confirm that such a mechanism has measurable effects on investment. In a study covering more than 120,000 companies, **Zwick and Mahon established that bonus *depreciation* had increased investment in eligible equipment, compared with non-eligible equipment, by 10.4% between 2001 and 2004 and by 16.9% between 2008 and 2010, two periods prior to the TCJA,** which makes the results independent of any partisan reading of Trump's reform[6]. *A fortiori*, **these effects were measured when *bonus depreciation* was partial and temporary.** This suggests that extending it to 100% and making it permanent could produce much stronger effects.

However, bonus *depreciation* as applied from 2017 carried a structural flaw: **it was scheduled to phase out gradually from 2023 to 2027, with the bonus depreciation rate reduced by 20 percentage points each year**[7]. This gradual phase-out cancelled out part of the intended incentive effect, because it is the certainty of a lasting regime, not set to disappear, that durably changes investment decisions[8].

This is precisely the gap that the 2025 reform would fill.

AN EXTENSION OF THIS TAX REVOLUTION THROUGH THE 2025 OBBBA

While the TCJA had opened a breach, **it is the One *Big Beautiful Bill Act* (OBBBA), signed into law by Donald Trump on 4 July 2025, that made some of its measures permanent**[9]. It should be noted that **the campaign promise to cut the federal corporate income tax rate to 15% did not survive Congress**. This clearly shows that American tax competitiveness is now played out on the tax base rather than on the rate. Donald Trump's recent defeat in the 2026 midterms also seals off any attempt to cut the corporate income tax rate again in the United States. The OBBBA contains two central measures for companies.

9 **US Bank** (n.d.), "Maximizing your deductions; Section 179 and Bonus Depreciation".
9 **Zwick E. and Mahon J.** (2017), "Tax Policy and Heterogeneous Investment Behavior", *American Economic Review*, vol. 107, no. 1, January 2017, pp. 217-248.
9 Tax Cuts and Jobs Act, Public Law 115-97, 22 December 2017.
9 York E., Li H., *et al.* (2024), "The Effects of Permanent 100 Percent Bonus Depreciation", Tax Foundation, February 2024.
9 *One Big Beautiful Bill Act*, Public Law 119-21, signed into law on 4 July 2025.

PERMANENT 100% BONUS DEPRECIATION

The first is **making 100% *bonus depreciation* permanent, applicable retroactively to assets placed in service after 20 January 2025**[10].

By making this mechanism permanent, the OBBBA changes the investment behaviour of American companies by improving their expectations and durably lowering the cost of capital[11]. And this is the innovation introduced by Joe Biden that Donald Trump did not reverse: the scope of eligible companies is not limited to American companies but covers companies that produce in the United States. In other words, any company wishing to acquire an asset to produce in the United States is eligible for the mechanism. This is an unprecedented competitiveness shock.

AN EXTENSION OF THE MECHANISM TO INDUSTRIAL ASSETS

The second measure is new: **for the first time, the OBBBA extends 100% immediate expensing to industrial production structures**, *qualified production property* (manufacturing, assembly and processing buildings).

These assets were previously subject to a 39-year depreciation period, which *de facto* excluded them from *bonus depreciation*. This extension has a notable limitation, however, compared with the regime applicable to equipment: it is temporary, reserved for buildings whose construction begins between 19 January 2025 and 1 January 2029 and is completed before 1 January 2031. The *Tax Foundation* itself stresses that a permanent version of the mechanism would have a substantially greater impact[12].

It is **a response to Joe Biden's proactive industrial policy** through ***the Inflation Reduction Act*** (IRA) and ***the CHIIPS Act***, which amount to a vast plan of tax exemptions for manufacturers. According to the *Tax Foundation*, this policy is estimated **at nearly 1,500 to 1,700 billion euros over the Biden term.** Donald Trump continued America's reindustrialisation effort, incidentally at the expense of European manufacturers, which thus suffer from a cost-competitiveness gap when producing similar goods in Europe.

The two reforms, the TCJA and the OBBBA, thus trace a consistent eight-year trajectory: **a cut in the nominal rate in 2017 and the permanence and extension of bonus *depreciation* in 2025**. The tax base has thus become, just like the rate, an instrument of tax policy and tax competitiveness.

12 *Ibid.*
12 York E., Li H., *et al.*, *op. cit.*
12 **Muresianu A. and Watson G.** (2025), "What to Expect from the New OBBBA Expensing for Manufacturing Structures", Tax Foundation, October 2025.

THE RECORD OF TRUMPIST SUPPLY-SIDE POLICY

Any major tax reform calls for an empirical assessment: that of the TCJA is now possible with nine years of hindsight. It is more nuanced than the dominant narrative suggests.

A LARGE PUBLIC DEFICIT AND WEAKER INVESTMENT GROWTH IN THE EARLY YEARS

At the macroeconomic level, **the effects of the TCJA on investment were more modest than the initial projections suggested**. An IMF study establishes that US investment has indeed grown since 2017 beyond pre-TCJA forecasts, but, according to the IMF, **the decisive factor was the increase in aggregate demand rather than tax incentives**[13]. This finding is shared by CEPII, which notes that the investment trajectory of American companies was not fundamentally changed by the TCJA, even though that study does not specifically mention *bonus depreciation*[14]. The convergence of these readings does not mean that the TCJA failed; it means that **its effect worked mainly through demand, and not through the cost-of-capital channel that its designers put forward.**

On the budgetary side, however, the consequences were heavy, particularly during Donald Trump's first term, all the more so when combined with the Biden measures mentioned above. According to the *Tax Foudantion*, **these three policies are said to have cost nearly 3,700 billion euros between 2018 and 2025.** It should be noted that the US public deficit increased during Donald Trump's first term by nearly 10 points relative to tax revenue, and this was before the health crisis. But this was mainly due to the trade war waged by President Trump against China and China's retaliation, and to President Trump's difficulty in cutting public spending.

14 **Kopp E., Leigh D., Mursula S. and Tambunlertchai S.** (2019), *US Investment Since the Tax Cuts and Jobs Act of 2017*, IMF Working Paper, May 2019.
14 **Boittin J.-F.** (2020), *op. cit.*

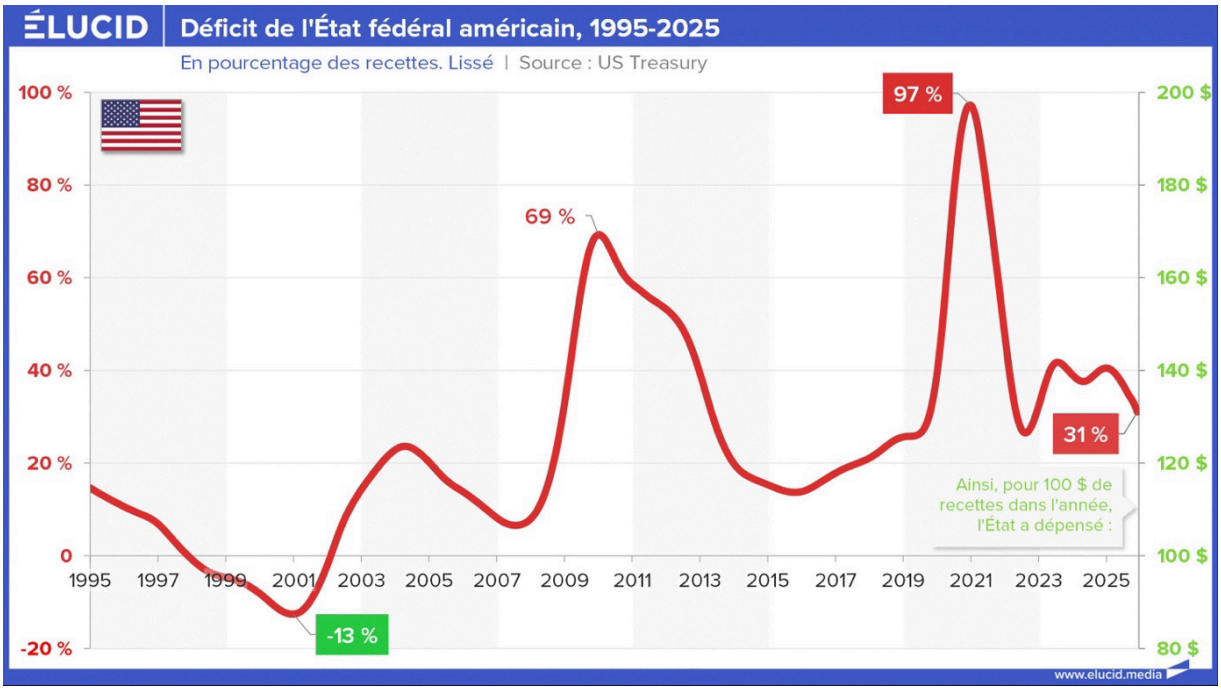


Figure - **Federal government deficit since 1995**[15]

The question of the budget deficit and public debt does not arise in the same terms in the United States as in European countries, because of the weight of the dollar in the international monetary system.

However, one of the lessons of the first Trump administration is that **any supply-side policy must be accompanied by a proactive policy of cutting public spending.** This reasoning would also lie behind the DOGE led by Elon Musk during the second term.

A GRADUAL REFOCUSING OF INVESTMENT ON THE UNITED STATES

At the microeconomic level, however, the picture is different. **The domestic investment of companies benefiting from the reform rose by 20% relative to others**[16]. This amounts to **a refocusing of investment on the United States**. In other words, investment is growing more slowly than expected, but **it is growing more in the United States**. This is shown by **the change in the openness rate of the US economy, which fell from 27.15% in 2017 to nearly 25% today.** This two-point decline is precisely the result sought by US presidents Donald Trump and Joe Biden.

Another factor is that these policies have led to more profitable investments. Indeed, **the accelerated depreciation provisions generate more investment per dollar of tax**

16 **Olivier Berruyer.** (2025), La dette publique des États-Unis 2025 (US public debt 2025), Elucid, January 2026.
16 **Chodorow-Reich G., Smith M., Zidar O. and Zwick E.** (2024), *Tax Policy and Investment in a Global Economy*, NBER Working Paper no. 32180, March 2024, p. 2.

expenditure than the other measures of the TCJA[17]. This confirms that the tax base is an effective lever for increasing corporate competitiveness.

The divergence between a disappointing macroeconomic effect and a positive micro-economic effect is explained by two factors:

- First, the limited scope of eligible assets: **before the OBBBA, bonus *depreciation* did not cover industrial structures, which mechanically limited the impact on total productive investment.**
- Second, the US tax structure itself: ***property taxes* on machinery, which are particularly high in the United States, form an incompressible floor that *bonus depreciation* cannot fully offset.**

This assessment calls for an important methodological clarification for the rest of this study. The relevant indicator for measuring the effect of the US reforms is not the nominal CIT rate, which has remained stable since 2022, nor even the aggregate change in investment, but two indicators that the US Treasury publishes jointly every year for all OECD countries, indicators that France does not officially publish, as mentioned above[18]. The first, the effective marginal tax rate (EMTR), measures what taxation takes from the return on a marginal investment.

It answers the following question: does taxation discourage the last euro invested? The second, the effective average tax rate (EATR), measures the tax burden on a profitable investment. It answers this question: in which country is it better to locate a profitable project? As we will see in the next part, these two indicators tell surprising stories over the 2017-2023 period.

18 **Chodorow-Reich G., Zidar O. and Zwick E.** (2024), *Lessons from the Biggest Business Tax Cut in US History*, Becker Friedman Institute, Working Paper no. 2024-81, July 2024, p. 1.

18 **US Department of the Treasury** (2024), *Overall Effective Tax Rates*, Office of Tax Analysis, December 2024. Available at: https://home.treasury.gov/system/files/131/OECD-EMTRs-and-EATRs-2023.pdf

IN FRANCE, A POSITIVE BUT INCOMPLETE SUPPLY-SIDE POLICY

French corporate tax policy between 2017 and 2022 was dominated by a reform that its promoters presented as **the great competitiveness reform of Emmanuel Macron's first five-year term, the famous "supply-side policy".**

THE CUT IN CORPORATE INCOME TAX SINCE 2017: AN INCOMPLETE REFORM

2017: "A GRAND SUPPLY-SIDE POLICY"

The 2017 Finance Act thus set in motion a downward path for the nominal CIT rate from 33.3% to 25%, completed in 2022. This reform had a real effect on competitiveness indicators: **the French EATR fell from 41.5% in 2017 to 24.1% in 2023, making up in six years a gap that had built up over decades**. This result should not be underestimated.

It is nevertheless fragile, and the data by asset type make it possible to identify its limits. **The cut in the nominal rate did reduce the French EMTR, from 37.2% to 20.4% between 2017 and 2023**, a decline of 16.8 points against only 7 for the United States over the same period. But this reduction did not originate in any change to depreciation rules: **French tax lives remained unchanged, the declining-balance regime with a 2.25 coefficient was not redesigned, and no immediate expensing was introduced for equipment and structures.**

According to Gabriel Gaspard, a specialist in financial economics, supply-side policy is said to have cost the State 929 billion euros over the 2018-2025 period. It includes in particular the conversion of the CICE into a permanent cut in employer contributions, the cut in corporate income tax from 33.3% to 25%, the abolition of the CVAE and the replacement of the ISF wealth tax by the IFI and the PFU. However, compared with the nation's output, supply-side policy is not a big bang. France produced 21,000.5 billion euros of wealth over the same period, according to INSEE. In reality, French supply-side policy represents only 4.4 points of GDP.

GENERALLY POSITIVE CONSEQUENCES, MODERATE ON REINDUSTRIALISATION

What France improved, it improved uniformly across all assets, with the rate multiplier as its only lever. What the United States improved, it targeted surgically at the assets that matter most in the decision to invest in the industrial sector (machinery and, now, production buildings).

The consequence of this difference in approach shows up in the data. As mentioned above, for machinery, France has a particularly low EMTR in 2023, not because it pursued a tax-base policy, but because the absence of property taxes on equipment and a very favourable depreciation coefficient give it an advantage it never really built deliberately.

For industrial structures, by *contrast*, the French EMTR remains high (31.6% in 2023), reflecting long depreciation periods of 20 to 50 years. It is precisely on this asset that the OBBBA has its biggest effect. France thus finds itself in a paradoxical position: competitive on the assets for which it did nothing, vulnerable on the assets for which it did nothing either, but on which one of its competitors has just acted.

The comparison with the US trajectory makes this immobility even more obvious. **Whereas the 2017 TCJA combined a cut in the nominal rate with the introduction of 100% bonus *depreciation*, thus pulling two levers, the French tax reform acted on only one of them.** It enabled France to reach near parity on the overall EATR at the very moment when the United States was entering a phase of rising EMTR because of the gradual phase-out of the TCJA provisions. This favourable situation, which could have been read as the validation of a strategy, was in reality the product of timing: France was benefiting from the American trough, not from the fruit of a structural policy. The OBBBA closes this trough. It does not call into question France's advantage on all assets, but it reduces it decisively on industrial structures.

A SUPPLY-SIDE POLICY UNDERMINED BY RISING SOCIAL SPENDING

As we saw earlier, Donald Trump's supply-side policy suffered from the absence of cuts in public spending during his first term. It is worse for France. On the one hand, because France has record levels of public spending, structurally above 55% of GDP, some 6 to 8 points above the OECD average. On the other hand, because it is addicted to the policy of handing out cheques in every crisis. Yet before the Covid-19 crisis, Emmanuel Macron faced a large number of social crises for which he did not wish to break with this tradition.

Indeed, the President of the Republic's social measures, without taking into account "whatever it takes", amount to a total of 450 billion euros over the same period. They include *at least* the "Yellow Vests" package (17 billion euros a year since 2018), 100% Santé (5 billion euros a year since 2018), the Ségur de la Santé (19 billion euros a year since 2020), the energy price shield (35 billion euros a year in 2021-2025) and the "Purchasing power" package (20 billion a year since 2022).

Consequently, **half of Emmanuel Macron's supply-side policy has been absorbed by social measures**.

A STILL FRAGILE R&D SUPPORT POLICY

France has a second tax policy instrument aimed at companies, presented as a pillar of its competitiveness in innovation: **the research tax credit**.

At a cost of 7.1 billion euros in 2023 and on a continuously rising path since the 2008 reform, it is the State's largest tax expenditure in favour of companies[19]. Its operation, however, produces effects contrary to what the economic literature recommends on investment incentives.

The mechanism of the CIR is simple in principle: **companies can deduct 30% of their eligible R&D expenditure from the tax they owe, up to a base of 100 million euros, beyond which the rate falls to 5%.** This formal degressivity is in reality an implicit progressivity for large companies: they are the ones that mechanically reach the 100-million threshold, that can structure their spending to maximise the eligible base and that have the legal and tax teams needed to optimise the scheme. **As early as 2023, the Conseil des prélèvements obligatoires noted that large companies received 42% of tax credits in 2019, while they accounted for only 38% of gross CIT, and that all of them received a tax credit at that date, compared with only 30% of SMEs**[20].

This concentration is all the more problematic as the distribution of the CIR among companies favours those for which the incentive effect is weakest. The CPO summarises the available data on the leverage effect of R&D tax credits, which measures the additional research spending induced by one euro of credit granted. **This effect is 0.4 for large companies, 1 for medium-sized companies and 1.4 for small companies**[21]. These results mean that each euro of CIR granted to a large company induces less than one

21 **Commission des finances du Sénat** (2024), Rapport spécial sur les remboursements et dégrèvements, projet de loi de finances pour 2025 (Special report on refunds and tax relief, 2025 finance bill), Rapport général no. 144, volume III, annex 27, November 2024.
21 **Conseil des prélèvements obligatoires** (2023), *Les différences d'imposition sur les bénéfices entre PME et grandes entreprises* (Differences in profit taxation between SMEs and large companies), June 2023, p. 28.
21 *Ibid.*, p. 31.

euro of additional R&D. The credit partly replaces spending that would have been made anyway. France thus spends more than 7 billion euros every year subsidising, as a priority, the players with the lowest marginal return in terms of innovation.

This finding is all the more striking as the CIR, an instrument focused on R&D, does not act on the cost of investment in physical assets (neither equipment nor industrial structures). It reduces the EMTR on research and development spending, as the US Treasury data confirm (an EMTR of 8.1% on R&D with the credit in 2023). However, it has no effect on the assets that determine industrial location decisions, that is, on the investment cost of industrial companies that are today choosing between Lorraine and Ohio.

THE 2015-2017 OVER-DEPRECIATION SCHEME, AN EXAMPLE OF AN ABANDONED TAX-BASE POLICY

There is, however, a French precedent showing that tax-base policy is not foreign to national tax policy. Between 15 April 2015 and 14 April 2017, **the law for growth, activity and equal economic opportunities, known as the Macron law, introduced an exceptional deduction equal to 40% of the value of productive investments eligible for declining-balance depreciation (industrial equipment, tooling or handling equipment)**[22].

This mechanism allowed companies to depreciate 140% of the value of their equipment for tax purposes, with the additional 40% deduction spread on a straight-line basis over the useful life of the asset. At a CIT rate of 33.3%, this additional deduction represented an effective tax subsidy of about 13% of the value of the investment.

There is therefore **a kinship with bonus *depreciation* (mentioned above).** Both mechanisms rest on the same principle of accelerating the tax deductibility of investments, with the same effect on the user cost of capital. The difference is that American *bonus depreciation* allowed a 100% deduction in the year of acquisition, i.e. full immediate deductibility, whereas the French over-depreciation scheme granted only an additional 40%, spread over the depreciation period. Translated into EMTR terms under the King-Fullerton methodology, the French scheme thus corresponded to a partial, non-immediate reduction in the marginal cost of capital, whereas 100% *bonus depreciation* brings it down to zero for eligible assets. But the idea was the same and the observed effects were massive. According to the Ministry of the Economy, **the budgetary cost of the scheme was about 2.5 billion euros a year, while sales of industrial robots, progressive investments par excellence, rose by 20% in 2016 compared with 2015, then by**

22 Law no. 2015-990 of 6 August 2015 for growth, activity and equal economic opportunities, Article 142 (codified in Article 39 decies of the CGI).

30% in the first quarter of 2017[23].

What the 2015-2017 sequence reveals from the perspective of this article is less the effectiveness of the scheme, which remains to be rigorously assessed over the long term since no econometric evaluation of it exists, than the significance of its abandonment. The scheme was allowed to expire on 14 April 2017 without being renewed or made permanent, at the very moment when the presidential campaign already contained the seeds of the future CIT reform. The 2019 Finance Act reinstated a residual version, limited to SMEs making digital transformation and robotisation investments[24]. France thus experimented with an instrument acting on the tax base, observed its favourable effects and chose not to draw the consequences when it launched the great tax reform of the five-year term. It preferred cutting the nominal rate to renewing and extending the over-depreciation scheme because the former was more politically visible and easier to communicate.

The comparison with the OBBBA is particularly telling. This law drew precisely the lesson that France failed to draw from its own experience. **Where France twice allowed a tax-base mechanism that worked to expire, the United States turned into a permanent fixture what it had first introduced on a temporary basis.** It is this difference in doctrine that could explain the divergence in EMTR trajectories between the two countries in the coming years.

24 **ComptaJob** (2021), « La fin du suramortissement fiscal » (The end of tax over-depreciation), July 2021.
24 Law no. 2018-1317 of 28 December 2018, Finance Act for 2019, Article 55 (codified in Article 39 decies B of the CGI).

WHAT LESSONS FOR ASSESSING A SUPPLY-SIDE POLICY?

WHY IS THE NOMINAL RATE AN INSUFFICIENT INDICATOR?

For 30 years, French corporate tax policy has focused on a single indicator: the nominal CIT rate.

The cut from 33.3% to 25% between 2017 and 2022 was presented as the great competitiveness reform of that period, while the public debate continues to revolve around whether this rate is too high compared with our European neighbours. This focus nevertheless rests on a fundamental misunderstanding of what really determines companies' investment decisions.

The first question a company asks before investing is: **how much does this investment really cost me, after tax, at the moment I make it?** The share of profits that will go to the State is not what determines the decision; the tax cost of the capital committed is. This cost certainly depends on the nominal CIT rate, but also, and often more, on the rules governing the tax deductibility of the investment: at what pace can I deduct its cost from my taxable income, and what is the value of future deductions?

It is precisely to capture this reality that economists developed the concept of the effective marginal tax rate (**EMTR**, *Effective Marginal Tax Rate*), formalised by King and Fullerton in their seminal work of 1984[25]. This indicator measures the share of the return on a marginal investment, that is, a project whose pre-tax return is just sufficient to cover the cost of capital, that is absorbed by taxation. It incorporates the nominal rate, but also depreciation rules, the real interest rate, inflation and taxes based on the value of assets[26]. It is the EMTR, and not the headline rate, that measures the true tax pressure on the decision to invest.

The following example shows why it matters. Consider two countries with the same nominal CIT rate of 25%. In the first, a company that acquires industrial equipment for 100,000 euros can deduct its entire value immediately in year 1: the tax saving is obt-

26 **King M. and Fullerton D.** (1984), *The Taxation of Income from Capital: A Comparative Study of the United States, the United Kingdom, Sweden, and West Germany*, NBER, 1984.
26 **US Department of the Treasury** (2022), *2021 Effective Tax Rates on New Investment for OECD Countries*, Office of Tax Analysis, Technical Paper 9 (TP-9), p. 1.

ained in the financial year in which the acquisition took place. In the second, the same deduction is spread over 7 years on a straight-line basis: the company recovers the same amount, but with a delay, so that inflation gradually erodes the real value of each annual instalment. In present-value terms, the difference is substantial and translates directly into the effective cost of the investment, even though both countries display the same nominal rate. This is precisely the gap that the effective marginal tax rate can measure and that the nominal CIT rate cannot reveal.

This reasoning has a limitation, however, because **it applies to an investment whose return is just sufficient to cover the cost of capital.** For a more profitable investment, such as building a factory whose profitability is high and certain, the relevant tax question is no longer "should we invest?" but "where is it best to invest?". A second indicator answers it: the effective average tax rate (EATR, or *Effective Average Tax Rate*), developed by Devereux and Griffith in their work[27]. The EATR measures the overall tax burden on a profitable project. In their own words, it is the indicator on which multinationals' choice of location between mutually exclusive projects depends. These two indicators are complementary but do not address the same issue. The EMTR governs the expansion decisions of existing companies, while the EATR governs initial location decisions, precisely those that France measures every year without linking them to an appropriate tax indicator.

The notion of effective marginal tax rate has no established terminological equivalent in French. Nor does that of EATR. The French "taux marginal d'imposition" (TMI) refers exclusively to the top bracket reached in the progressive household income tax schedule, a concept that has nothing to do with the subject of this study. It is the US Treasury that publishes every year, for all OECD countries, a comparative table of EMTRs and EATRs calculated according to the King-Fullerton model, distinguishing assets by type and by method of financing.

EMTR AND EATR: WHICH INDICATOR SHOULD BE USED TO ASSESS A SUPPLY-SIDE POLICY?

The available EMTR and EATR data cover only the 2017 to 2023 period, i.e. the whole TCJA sequence, but not the OBBBA, signed in July 2025. They therefore make it possible to measure precisely what the TCJA produced and to identify what the OBBBA changes structurally.

27 **Devereux M. P. and Griffith R.** (1999 and 2003), *The Taxation of Discrete Investment Choices*, Institute for Fiscal Studies, Working Paper W98/16, 1999; "Evaluating Tax Policy for Location Decisions", *International Tax and Public Finance*, vol. 10, no. 2, March 2003, pp. 107-126.

THE OVERALL EMTR: MISLEADING RESULTS

Over the period from 2017 to 2023, the EMTR gives results that the supporters of the TCJA had not anticipated. Far from falling after the 2017 reform, the US EMTR remained stable, fluctuating between 26 and 27% throughout the period from 2018. France, by contrast, reduced its own dramatically, from 37.2% in 2017 to 20.4% in 2023, a drop of almost 17 points in six years[28]. In 2023, France therefore had a lower EMTR than the United States, a counter-intuitive result in view of the thesis of an American advantage won on the tax base.

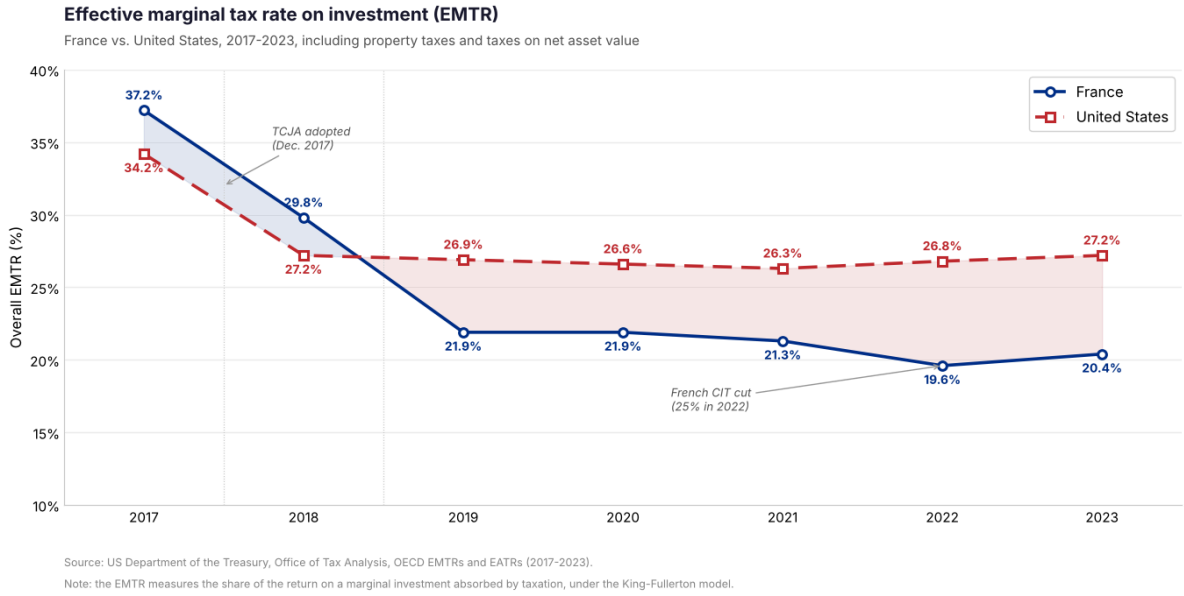
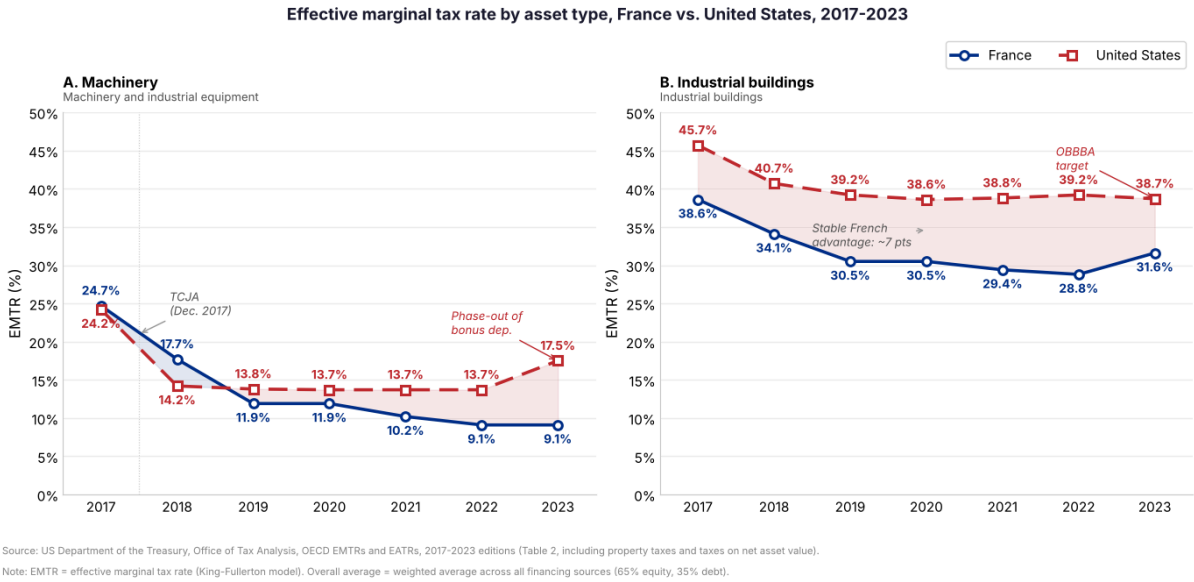


Figure - **Effective marginal tax rate on investment (EMTR), France and United States, 2017-2023**, *US Department of the Treasury, Office of Tax Analysis*

But this overall EMTR is an average across three types of assets (machinery, industrial buildings and inventories) that masks radically different dynamics. It is at the level of each asset that the tax reality emerges.

28 US Department of the Treasury, Office of Tax Analysis, *OECD Overall Effective Tax Rates*, 2017 to 2023 editions (Table 1, including property taxes and taxes on net asset value). Overall EMTR United States: 34.2% (2017), 27.2% (2018), 26.9% (2019), 26.6% (2020), 26.3% (2021), 26.8% (2022), 27.2% (2023). Overall EMTR France: 37.2% (2017), 29.8% (2018), 21.9% (2019-2020), 21.3% (2021), 19.6% (2022), 20.4% (2023).

THE EMTR BY ASSET: THE THESIS CONFIRMED



Source: US Department of the Treasury, Office of Tax Analysis, OECD EMTRs and EATRs, 2017-2023 editions (Table 2, including property taxes and taxes on net asset value).
Note: EMTR = effective marginal tax rate (King-Fullerton model). Overall average = weighted average across all financing sources (65% equity, 35% debt).

Figure - **Effective marginal tax rate by asset type, France and United States, 2017-2023**, *US Department of the Treasury, Office of Tax Analysis*

On machinery, the TCJA had an immediate and documented effect. The US EMTR on equipment thus fell from 24.2% to 14.2% in one year, between 2017 and 2018, a drop of 10 points directly attributable to 100% *bonus depreciation*[29]. France followed a comparable path, with its EMTR falling from 24.7% to 17.7% over the same period thanks to the cut in the nominal rate, but it then fell faster: 9.1% in 2022, compared with 13.7% for the United States the same year. At the end of the period, France is therefore structurally more competitive than the United States on this asset. It owes this advantage in particular to the absence of *property taxes* on equipment and to a generous declining-balance coefficient, never deliberately built as a competitiveness policy. Even more revealing, the US EMTR on machinery rose again to 17.5% in 2023, because of the gradual phase-out of *bonus depreciation* (80% in 2023). This is empirical proof that the short-lived nature of the mechanism directly affected the cost of investment.

On industrial buildings, the French advantage is stable and massive throughout the period studied. In 2017, the US EMTR on buildings was 45.7%, compared with 38.6% for France. This 7-point gap in our country's favour is due in particular to the 20-year depreciation period under French law[30], compared with 39 years under US law. In 2023, this gap was almost unchanged: 38.7% for the United States, compared with 31.6% for

30 US Department of the Treasury, *OECD Overall Effective Tax Rates*, 2017 to 2023 editions (Table 2, overall average, including property taxes). EMTR machinery United States: 24.2% (2017), 14.2% (2018), 13.8% (2019), 13.7% (2020-2022), 17.5% (2023). EMTR machinery France: 24.7% (2017), 17.7% (2018), 11.9% (2019-2020), 10.2% (2021), 9.1% (2022-2023).
30 **Delemarle G.** (2026), « La durée d'amortissement d'une immobilisation » (The depreciation period of a fixed asset), L'Expert-Comptable.com.

France. Neither the TCJA, which never covered industrial structures, nor the cut in the French nominal CIT rate changed relative competitiveness on this asset. This is precisely the segment targeted by the OBBBA with its extension to production structures, even if this extension is temporary.

These two microeconomic readings explain why the overall US EMTR remained stable despite the TCJA.

On equipment, the decline is real, but its effect is diluted by two factors. On the one hand, it ran up against *property taxes* on machinery, which act as a brake that *bonus depreciation* cannot offset. On the other hand, the very high EMTR on industrial buildings pulls the average up. It should also be noted that the overall comparison underestimates France's tax attractiveness for R&D-intensive sectors. **The EMTR on patents is about 29% in the United States compared with 9% in France in 2023**. This considerable gap reflects the combined effect of the CIR and the French IP Box regime[31].

THE EATR: THE 2018 SHOCK AND FRANCE'S GAIN IN ATTRACTIVENESS

The EATR points to different and complementary results, directly relevant to industrial location decisions. In 2017, before the TCJA, France (41.5%) and the United States (37.1%) both had EATRs among the highest in the G7[32].

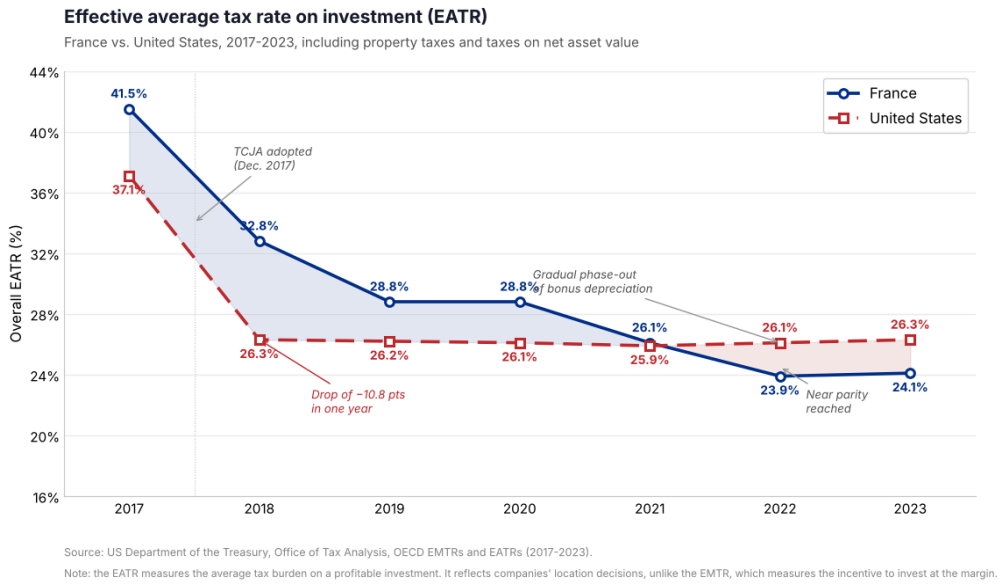


Figure - **Effective average tax rate on investment (EATR), France and United States, 2017-2023**, *US Department of the Treasury, Office of Tax Analysis*

32 EMTR patents United States: 28.9% (2021) → 29.4% (2023). EMTR patents France: 9.2% (2021) → 8.1% (2023). This gap reflects the combined effect of the research tax credit (CIR, 7.6 billion euros in 2024) and the preferential tax regime for intellectual property income (*IP Box*).

32 US Department of the Treasury, Office of Tax Analysis, *OECD Overall Effective Tax Rates*, 2017 to 2023 editions (Table 1, including property taxes). Overall EATR United States: 37.1% (2017), 26.3% (2018), 26.2% (2019), 26.1% (2020), 25.9% (2021), 26.1% (2022), 26.3% (2023). Overall EATR France: 41.5% (2017), 32.8% (2018), 28.8% (2019-2020), 26.1% (2021), 23.9% (2022), 24.1% (2023).

From 2018, the TCJA produced a massive shock: the US EATR fell from 37.1% to 26.3% in one year, a drop of 10.8 points. This effect, much more visible on the EATR than on the overall EMTR, is explained by the very nature of the indicator: the EATR is a weighted average of the EMTR and the nominal CIT rate, so that the simultaneous cut in the rate (from 35% to 21%) and in the EMTR on equipment had a multiplier effect. For a company deciding whether to locate a profitable investment in France or in the United States, the 2018 tax signal is unambiguous.

The US trajectory after 2018 is also instructive. The EATR rose gradually from 25.9% in 2021 to 26.3% in 2023, which corresponds to the phase-out of bonus *depreciation*: when it is being phased out, the EATR rises. France, for its part, gradually reduced its EATR from 41.5% to 24.1% over the same period, solely thanks to the cut in the nominal CIT rate. It reached near parity with the United States in 2022 (23.9% and 26.1% respectively) and 2023 (24.1% against 26.3%). If France is therefore slightly more attractive than the United States in 2022-2023, this stems from two opposing dynamics: the cut in the French CIT rate on the one hand and the gradual phase-out of *bonus depreciation* from that date on the other.

WHAT A POLICY ON CAPITAL CHANGES

The 2025 OBBBA brings something new: **it makes it possible to study and analyse a supply-side policy on the acquisition of physical capital**.

THE METHOD OF ANALYSIS

For the time being, the US Treasury data cover only **the period from 2017 to 2023.** Moreover, they document precisely what the TCJA produced, but they do not yet reflect the effects of the OBBBA, signed into law in July 2025.

The assessment of what the 2025 reform changes in the EMTR and EATR therefore rests on modelling produced since its enactment by two leading institutions: the *Tax Policy Center* (TPC), whose investment and capital model (*Investment and Capital Model*, or ICM) applies the Devereux-Griffith methodology, and the *Congressional Research Service* (CRS), whose estimates based on the user cost of capital are the institutional benchmark in the United States for assessing the tax consequences of a law[33].

The following table presents the expected effects of the OBBBA:

33 **Keightley M. P. and Gravelle J. G.** (2025), *Marginal Effective Tax Rates: Changes in P.L. 119-21, the 2025 Reconciliation Act*, Congressional Research Service, report R48631, September 2025.

Effective marginal tax rate (EMTR) by asset type: France and United States

Asset type	EMTR France 2023	EMTR United States 2023 (pre-OBBBA)	OBBBA change (corporations, 2025)
Machinery	9.1%	17.5%	−8.4 pt
Industrial structures (OBBBA-eligible)	31.6%	38.7%	−20.2 pt
R&D (with tax credit)	8.1%	29.4%	−15.7 pt

Sources: EMTR France and EMTR United States 2023: US Department of the Treasury, Office of Tax Analysis, OECD Overall Effective Tax Rates, 2017-2023 editions (Table 2, overall average, including property taxes). OBBBA change: Brosy T., "A Review and Assessment of the Main Business Tax Provisions of the 2025 Reconciliation Act", Tax Policy Center, 22 August 2025, Table 1 (mixed-financed assets, C corporations). Note: the methodological differences between the two series (King-Fullerton model / US Treasury for columns 1-2; Devereux-Griffith model / TPC for column 3) rule out mechanically adding columns 2 and 3.

Table - **Effective marginal tax rate (EMTR) by asset type: France and United States**, *US Department of the Treasury, Office of Tax Analysis; Tax Policy Center*

ON EQUIPMENT: THE STABILISATION OF A PARTIAL AMERICAN ADVANTAGE

Making 100% bonus *depreciation* permanent on equipment mechanically eliminates the rise in the EMTR observed since 2023. The TPC considers that the EMTR on equipment for corporations fell by 8.4 points in 2025[34]. Applied to the 17.5% baseline observed in 2023, a year when *bonus depreciation* was only 80%, **this reduction brings the US EMTR on machinery back to a level comparable to that of the 2018-2022 period, when the mechanism was at 100%**.

However, on this asset, **France retains its structural advantage**. With an EMTR of 9.1% in 2023, it was already at a level that the United States has only just reached thanks to the OBBBA. Yet this French advantage on machinery was never really conceived as a competitiveness policy: it stems above all from the absence of *property taxes* on equipment, since the cotisation foncière des entreprises (CFE) applies only to business premises, and from a declining-balance depreciation coefficient of 2.25. The OBBBA brings the United States to a level comparable to France on this asset, without giving it a net advantage.

ON INDUSTRIAL STRUCTURES, THE REVERSAL

It is on industrial buildings that the OBBBA has its most significant effect, with the US regime becoming more favourable than France's for the first time since 2017.

34 **Brosy T.** (2025), "A Review and Assessment of the Main Business Tax Provisions of the 2025 Reconciliation Act", Tax Policy Center, Urban Institute & Brookings Institution, 22 August 2025, Table 1 (*Impact of OBBBA on Average EMTR by Asset Category, mixed-financed assets, 2025*), p. 4.

The extension of 100% immediate expensing to *qualified production properties* is a genuine break in the history of US tax law. Never since the introduction of the MACRS system in 1986 had structures benefited from such a regime. The TPC estimates the reduction in the EMTR on eligible industrial buildings in 2025 at 20.2 points[35]. This indicator, which stood at 38.7% in the United States in 2023 compared with 31.6% in France, thus swings in favour of the United States.

Two limitations must nevertheless be mentioned.

- First, there is a methodological heterogeneity between the US Treasury series, based on the King-Fullerton model, and the TPC's ICM model, based on the Devereux-Griffith methodology. This rules out mechanically adding the two series (the last two columns of the table above) to produce a post-OBBBA EMTR allowing a comparison between the two countries. **The orders of magnitude are therefore indicative, and not data published in a homogeneous series**.

- Second, **it should be recalled that immediate expensing of industrial structures is temporary**: it is reserved for buildings whose construction begins between 19 January 2025 and 1 January 2029 and is completed before 1 January 2031. As mentioned above, the *Tax Foundation* stresses that the non-permanent nature of this measure weakens its long-term incentive effect.

ON THE OVERALL EMTR AND EATR, THE SCALE OF THE 2025 SHOCK

Beyond the asset-by-asset analysis, **the TPC estimates the overall effect of the OBBBA on the average EMTR of corporations at −6 points in 2025, across all asset categories and financing methods**, bringing the US EMTR back to its 2018 level and wiping out in a single law the gradual drift accumulated since 2022[36]. The CRS confirms this direction, estimating that the user cost of capital for business assets fell by 2.3 points in 2025 as a result of the OBBBA provisions alone, which, applying the central estimates of investment response available in the literature, implies a 1.4-point increase in investment[37].

For R&D investment specifically, the OBBA restores the immediate deductibility of research and development expenditure, abolished since 2022. **The TPC estimates the reduction in the EMTR on R&D at 15.7 points for corporations, which, applied to the US level of 29.4% in 2023, would put this indicator at around 14%**. This is still well above France's 8.1%, as our country benefits from the CIR and the IP Box regime.

37 *Ibid.*
37 *Ibid.*, p. 2
37 **Keightley M. P. and Gravelle J. G.** (2025), *op. cit.*

The TPC considers that the effect of the OBBBA on the EATR is more moderate but not negligible, with a decline of 0.8 point for non-export investment and up to 2.6 points for export investment[38], the latter also benefiting from the new *Foreign-Derived Deduction Income* (FDDEI) regime, which from 2026 subjects all export income to a preferential rate of 14%.

This twofold movement, namely the fall in the EMTR through immediate deductibility and the additional fall in the EATR for exporters through the FDDEI, outlines a coherent US tax policy of industrial relocation and support for export-oriented production. France has no equivalent.

Our country's overall EATR, slightly lower than that of the United States, achieved between 2021 and 2023 at the cost of several years of cuts in the nominal CIT rate, is therefore likely to deteriorate relative to that of our transatlantic neighbour. France is certainly not bound to lose this advantage, since its low EMTRs on machinery and patents are real and stable buffers over the period studied. However, while the United States acted deliberately on the tax base, through two successive reforms articulated over eight years, France benefited from structural advantages that it never formulated as a competitiveness policy. A cut in the nominal CIT rate alone is not enough to sustain a favourable gap in 2023 against a partner-competitor that has understood that international tax competition is now played out on the real cost of investing.

38 **Brosy T.** (2026), "How Does the One Big Beautiful Bill Act Reform US International Taxation?", Tax Policy Center, Urban Institute & Brookings Institution, 12 February 2026, Table 3 (*Summary of OBBBA's Impact on the Tax Burden of New Domestic Investments*), p. 8.

FOR A GRAND FRENCH SUPPLY-SIDE POLICY?

The aim is not to copy the American model, whose scale, monetary capacity and control over its trade policy rule out any meaningful comparison.

On the other hand, it is possible to draw on the American recipes to implement a grand French supply-side policy aimed at making our economic players competitive for good.

We propose an approach based on three principles: **acting on the acquisition of physical capital by economic players** by introducing 100% "*bonus depreciation*" on industrial buildings (1), **freeing up R&D investment by redesigning the CIR** (2) and, finally, **better assessing and steering supply-side policy** in order to avoid the pitfalls of the last 10 years (3).

PRINCIPLE NO. 1: INTRODUCE PERMANENT 100% DEDUCTIBILITY FOR EQUIPMENT AND INDUSTRIAL BUILDINGS

The first recommendation of this study is the one most directly dictated by the Franco-American comparison: **it would mean introducing into French tax law a mechanism of immediate 100% deduction of the value of investments in industrial equipment in the year of their acquisition, also extending it to production structures (industrial buildings, as well as assembly and processing workshops).**

No French measure has ever combined these two dimensions, because the 2015 to 2017 over-depreciation scheme covered only equipment, deducted only an additional 40% spread over time and was temporary.

Permanence is a condition of effectiveness. Indeed, whereas a temporary mechanism changes the timing of investments already decided more than it triggers new investment, a permanent mechanism durably changes the user cost of capital and therefore the profitability threshold of marginal projects[39]. The TPC confirms this for the OBBBA, noting that *bonus depreciation*, combined with two other policies, should increase US GDP by 0.3% in 2035, the capital stock by 0.9% and investment by 1.5%[40]. While France

40 **Chodorow-Reich G., Zidar O. and Zwick E.** (2024), *op. cit.*
40 **Brosy T.** (2025), *op. cit.*

has, admittedly, twice experimented with a temporary mechanism, the American precedent now provides the demonstration by contrast.

The effect of this permanent 100% deductibility is predictable, even if its exact scale depends on parameters that the available data do not make it possible to establish fully. The mechanism is as follows: the EMTR is positive whenever the present value of the tax deductions allowed by depreciation rules is lower than the cost of the investment. With this deductibility, the company deducts 100% of the value of the asset in the year of its acquisition.

The present value of the deductions is thus equal to the cost of the investment, while the CIT component of the EMTR falls to zero. Since the US Treasury data include a property tax component (the CFE for France, property *taxes* for the United States) that remains regardless of the depreciation regime, the EMTR after this measure would not be exactly zero. It would nevertheless remain the case that on equipment, where France had an EMTR of 9.1% in 2023, the country would bring this indicator close to zero. On industrial structures, for which the French EMTR stood at 31.6% in 2023, the reduction would be massive and would place France at a level lower than the one the United States reaches temporarily, and on a permanent basis.

In terms of consequences for investment, **according to the CBO, a 1% fall in the user cost of capital translates into a 0.7% rise in investment**[41]. The same report makes it possible to quantify the effect of full and immediate deductibility on equipment: the user cost of capital for non-residential equipment would fall by 4.3%, which, using the CBO estimate mentioned above, would imply an increase in equipment investment of around 3%. For non-residential structures, the reduction in the user cost of capital would be 2.1%, resulting in an increase in investment in structures of around 1.5%. These estimates apply to the US economy by 2027 and are therefore not directly transferable to France. They nevertheless provide indicative orders of magnitude.

The argument most frequently raised against this measure is its cost in tax revenue. This rests on a confusion between a cash-flow cost and a permanent cost. Permanent and full deductibility is not an exemption; it is a tax deferral. It brings forward the deduction of investments that would in any case be depreciated over fifteen or twenty years. It is true, however, that this deductibility would have a budgetary cost when it is first introduced. Take an example: before the reform, a company that invests 100 euros every year deducts 20 a year. Five cohorts of investment are therefore being deprecia-

41 **Congressional Budget Office** (2024), *CBO's Model for Estimating the Effects on New Investment of Deductions to Recover the Cost of Capital*, December 2024, pp. 6 and 13.

ted at the same time, that of the current year and those of the four previous years, each representing 20 euros.

In the year the reform comes into force, this company deducts two things at once: the 100 euros of its new investment, in full and immediately, and the 80 euros it still had to deduct for the four cohorts of earlier investments, which continue their normal depreciation. That year, the State would therefore grant 180 euros of deductions instead of 100, hence the peak in budgetary cost. But this extra cost is temporary: after a few years, the stock of old investments is fully depreciated and the annual flow of deductions returns to 100 euros, its pre-reform level. This is exactly what the American TPC documents: the cost of *bonus depreciation* amounts to 363 billion dollars over the first ten years, and the recurring long-term cost is substantially lower[42]. Full and immediate deductibility applied in France would follow the same dynamic: a significant initial budgetary cost during the transition period, followed by stabilisation at a durably lower level. It is not possible, however, on the basis of the available data, to quantify its order of magnitude precisely.

PRINCIPLE NO. 2: UNLEASH R&D ENERGY BY REDEPLOYING THE RESEARCH TAX CREDIT

The concentration of the CIR on large companies and its marginal return, which decreases with size, are not new findings.

In September 2022, Aghion, Chanut and Jaravel demonstrated this for the Conseil d'analyse économique (CAE), showing that **the CIR has twice as much effect when it benefits very small, small and medium-sized enterprises as when it benefits intermediate-sized and very large companies**[43]. They proposed two cost-neutral reforms: *at the very least*, abolishing the 5% rate above 100 million euros of expenditure or, more ambitiously, reducing the expenditure ceiling from 100 to 20 million euros, with no subsidy beyond it, which would make it possible to raise the subsidy rate for all beneficiaries from 30 to 42%[44].

Three years later, this reform has still not been undertaken. This study therefore does not claim to innovate on this point, but simply to recall that a budget-neutral reform of the CIR remains possible, while adding one element: **the OBBBA justifies not limiting the redeployment of the CIR to an increase in the subsidy rate for SMEs, but directi-**

44 **Brosy T.** (2025), *op. cit.*, p. iii
44 **Aghion P., Chanut N. and Jaravel X.** (2022), « Renforcer l'impact du Crédit d'impôt recherche » (Strengthening the impact of the research tax credit), Conseil d'analyse économique, Focus no. 090-2022, September 2022, p. 2.
44 *Ibid.*, p. 7

ng a fraction of it towards the immediate and full deductibility recommended in the first recommendation.

PRINCIPLE NO. 3: MAKE THE EMTR AND EATR OFFICIAL INDICATORS OF FRENCH SUPPLY-SIDE POLICY

This is the least costly recommendation.

The US Treasury publishes the EMTR and EATR by asset category every year, using the King-Fullerton methodology. France has no official equivalent, as pointed out above: **neither the Direction générale du Trésor, nor the Conseil des prélèvements obligatoires, nor even INSEE publishes an indicator of the real marginal cost of investment by asset type**.

This gap says a great deal about the state of the French tax debate on corporate competitiveness, which is focused on the only ground on which France has a readable and communicable indicator, namely the nominal CIT rate. The 2018-2022 reform was its direct product, focused exclusively on a headline-rate objective and leaving depreciation rules unchanged. **A State that does not measure the EMTR can neither steer it, nor debate it, nor compare it with that of its competitors.** Nor can it measure the scale of the shock that the OBBBA represents for industrial structures, except through the reconstruction work this article has attempted.

The recommendation of this part is therefore to **mandate the Direction générale du Trésor, which has the necessary tax data and macroeconomic modelling, to publish every year a table of EMTRs and EATRs by asset type, calculated using a methodology aligned with that of the US Treasury in order to allow comparison between countries**.

The cost of such a measure is negligible compared with its potentially considerable effect on the public debate. It would shift the ground of the discussion from the headline rate, on which France has exhausted its political room for manoeuvre since 2022, to the real cost of investing, on which our country has structural assets it ignores, new vulnerabilities it has not measured and levers for action it has never seriously considered.

CONCLUSION

This report examines this question by looking at the last grand supply-side policy pursued openly: that of President Trump from 2017. In December 2017, the *Tax Cuts and Jobs Act* cut the federal corporate income tax rate from 35% to 21%, which was immedia-

tely seen as the sign that France's tax competitiveness had fallen behind that of the United States. Nine years later, this reading is contradicted by an examination of the data.

The aggregate US CIT rate thus stood at 25.8% in 2023, slightly higher than the French rate of 25%. And the two indicators used by economists to measure the real tax cost of investment, the EMTR (effective marginal tax rate) and the EATR (effective average tax rate), show a marked advantage for our country: in 2023, its overall EMTR was lower than that of the United States (20.4% against 27.2%), as was its EATR (24.1% against 26.3%).

This situation is not, however, the fruit of a French tax policy designed in terms of competitiveness. It results from the combination of a structural advantage never deliberately built, namely the absence of property taxes on industrial equipment and a favourable declining-balance depreciation regime, and a cut in the nominal CIT rate on which France's competitiveness effort has focused since 2017. Meanwhile, **the United States did the opposite: it left the federal rate unchanged since 2017 and focused its action on the tax base, through the 100% *bonus depreciation* introduced by the TCJA.** This mechanism, scheduled to phase out gradually between 2023 and 2027, was made permanent a year ago by the *One Big Beautiful Bill Act*, signed into law on 4 July 2025. For the first time in US tax history, it is extended temporarily to industrial buildings.

It is precisely on these buildings that France is set to lose its advantage. **The 7-point gap in its favour since 2017 (31.6% against 38.7% EMTR in 2023) should be reversed under the effect of the OBBBA, with the Tax Policy Center estimating its impact at −20.2 EMTR points for eligible structures.** France thus finds itself competitive on the assets for which it did nothing, namely machinery, and now vulnerable on those for which it did no more, production structures.

This study is based on US Treasury data and on post-OBBBA modelling by the Tax Policy Center and the Congressional Research Service. It also assesses the relevance of the research tax credit, France's largest tax expenditure in favour of companies but one that structurally benefits large companies, and analyses the precedent of the 2016-2017 Macron over-depreciation scheme, an effective tax-base mechanism that France tried out and then allowed to expire, twice.

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