NATIONAL ASSOCIATION OF
Manufacturers

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Vice President,
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Rep. Vern Buchanan
Chair, Manufacturing Tax Team
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Rep. Greg Murphy
Vice Chair, Manufacturing Tax Team
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Rep. Jodey Arrington
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Rep. Claudia Tenney
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Rep. Nicole Malliotakis
Manufacturing Tax Team
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Chair Buchanan, Vice Chair Murphy, Rep. Arrington, Rep. Tenney and Rep. Malliotakis:

On behalf of the National Association of Manufacturers and the 13 million people who make things in America, I urge you to prevent the devastating tax increases that are scheduled to take effect for manufacturers and manufacturing families at the end of next year. Manufacturers look forward to working with the Manufacturing Tax Team to support job creation, innovation and growth at manufacturers of all sizes by preserving the pro-growth, pro-manufacturing reforms from the 2017 Tax Cuts and Jobs Act.

The TCJA was revolutionary for the manufacturing sector. Tax reform kickstarted years of economic growth throughout the industry, providing a new foundation for the manufacturing economy to thrive:

- In 2018, manufacturers added 263,000 new jobs, the best year for job creation in manufacturing in 21 years.[1]
- In 2018, manufacturing wages increased 3% and continued going up—by 2.8% in 2019 and by 3% in 2020. Those were the fastest rates of annual growth since 2003.[2]
- Manufacturing capital spending grew 4.5% and 5.7% in 2018 and 2019, respectively.[3]

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[1] Bureau of Labor Statistics, Current Employment Statistics, Manufacturing Employment, Seasonally Adjusted. *Available at* https://www.bls.gov/ces/data/

[2] Bureau of Labor Statistics, Current Employment Statistics, Average Hourly Earnings for Production and Nonsupervisory Employees, Manufacturing, Seasonally Adjusted. *Available at* https://www.bls.gov/ces/data/

[3] U.S. Census Bureau, Annual Survey of Capital Expenditures, Table 2A, Manufacturing. *Available at* https://www.census.gov/data/tables/2019/econ/aces/2019-aces-summary.html

- Overall, manufacturing production grew 2.7% in 2018, with December 2018 being the best month for manufacturing output since May 2008.[4]

Manufacturers have used the savings from tax reform to grow their businesses, create jobs, raise wages, add new benefits for employees, fund research and development, purchase new equipment, expand their facilities and give back to their communities. However, critical tax reform provisions are set to expire at the end of 2025, resulting in significant tax increases for virtually all manufacturers. Congress and the president *must act* to prevent tax hikes from stunting manufacturing job creation, growth and innovation.

Ensuring that the U.S. tax system supports manufacturers' ability to invest for growth will strengthen our country's supply chain, encourage domestic investment and enable manufacturers to compete on the world stage

Manufacturers Need a Competitive Corporate Tax Rate

The lowering of the United States' corporate tax rate from 35% to 21% was one of the most consequential aspects of the Tax Cuts and Jobs Act. Combined with a more competitive international tax system, the lower corporate tax rate stimulated economic activity here at home and bolstered America's competitiveness on the world stage.

In 2015, before the TCJA was signed into law, the United States not only had the highest corporate income tax rate among members of the OECD,[5] but also had the third highest rate among *all* countries globally. The 35% rate was established by the Revenue Reconciliation Act of 1993,[6] and in the nearly 25 years afterwards, countries around the world drastically lowered their corporate rates to out-compete the United States. The U.S. was an outlier among its peers, maintaining a rate that was 15 points higher than the OECD average in 2017.[7]

Prior to tax reform, there was broad consensus that the corporate rate needed to be lowered to restore America's global competitiveness. In the years leading up to TCJA, key members of the tax writing committees in both parties released proposals that included significantly lowering the corporate tax rate. For example, Ways and Means Chairman Dave Camp's draft tax reform legislation from 2014 had a corporate rate of 25%,[8] while Senate Finance Chairman Ron Wyden released a framework in 2011 with a 24% corporate rate.[9] President Obama proposed a 28% rate in 2012,[10] while President Trump, as a candidate in 2016, released a tax reform plan based on a 15% corporate rate.[11]

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[4] Federal Reserve Board of Governors, Industrial Production, Manufacturing, Seasonally Adjusted. *Available at:* https://www.federalreserve.gov/releases/g17/Current/default.html
[5] OECD Tax Database. *Available at*: https://www.oecd.org/tax/tax-policy/tax-database/
[6] Public Law 103-66
[7] OECD Tax Database. *Available at*: https://www.oecd.org/tax/tax-policy/tax-database/
[8] *See* Ways and Means Committee Chairman Dave Camp's "Tax Reform Act of 2014." *Available at* https://waysandmeans.house.gov/2014/02/26/camp-releases-tax-reform-plan-to-strengthen-the-economy-and-make-the-tax-code-simpler-fairer-and-flatter/
[9] *See* Senate Finance Committee Chairman Ron Wyden's "Bipartisan Tax Fairness and Simplification Act of 2011." *Available at* https://www.wyden.senate.gov/imo/media/doc/wyden-coats%20two%20pager.pdf
[10] Committee for a Responsible Federal Budget, "President Obama's Corporate Tax Reform Plan" (February 2012). *Available at* https://www.crfb.org/blogs/president-obamas-corporate-tax-reform-plan
[11] Tax Foundation, "Details and Analysis of Donald Trump's Tax Plan" (September 2016). *Available at* https://taxfoundation.org/research/all/federal/details-analysis-donald-trump-tax-plan-2016/

In 2015, the Senate Finance Committee's "Business Income Bipartisan Tax Working Group," chaired by Sens. Ben Cardin (D-MD) and John Thune (R-SD), submitted a report to the committee stating:

> "If there is one element of business tax reform that appears to have very broad support, it is the need for a substantially lower corporate tax rate. Despite the multitude of differences in previous tax reform proposals, they have all included a lower corporate tax rate. This is, no doubt, a reflection of the very high U.S. corporate tax rate relative to our major competitors and recognition of the downward trend of corporate tax rates in recent years." [12]

The arguments for a lower and more competitive corporate rate are simple: reducing job-creators' tax burden directly translates to an increase in investments, job creation, wage growth, economic expansion and a stronger supply chain. In short, a lower corporate rate makes the United States a more attractive home for manufacturing investment—and the associated job creation and economic growth.

The 21% corporate rate is not scheduled to expire at the end of 2025, unlike many other TCJA provisions. However, President Biden's FY 2025 budget proposed a 28% corporate rate—which would once again subject manufacturers in the U.S. to one of the highest rates of tax in the developed world.[13]

Manufacturers throughout the supply chain are calling on Congress to preserve tax reform in its entirety—including the 21% corporate rate. The manufacturing industry simply cannot afford the economic damage associated with a devastating increase in the corporate rate. On the other hand, maintaining a competitive corporate rate will enable manufacturers to continue leading on the world stage while driving innovation and job creation here at home.

The Pass-Through Deduction is Vital for Small Manufacturers

Congress has long understood the importance of ensuring that small and family-owned businesses have a chance to succeed. Congress has provided for different tax treatment of business structures like S-corporations, partnerships, limited liability companies and sole proprietorships—all forms of pass-through businesses—as compared to their peers organized as C-corporations. In short, pass-throughs are not subject to corporate income taxes like their C-corporation counterparts, but instead their business profits are "passed through" to the owners and taxed at their individual income rates. Today, more than 96% of businesses in America are organized as pass-throughs.[14] These companies, the vast majority of which are small businesses, employ millions of Americans and are a vital economic engine for local communities across the country. In the manufacturing sector, an overwhelming number of manufacturers are organized as pass-throughs, as this structure allows individuals seeking to innovate and solve problems an easier path to creating their business.

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[12] Senate Finance Committee, "The Business Income Bipartisan Tax Working Group Report." *Available at* https://www.finance.senate.gov/imo/media/doc/The%20Business%20Income%20Bipartisan%20Tax%20Working%20Group%20Report.pdf

[13] Tax Foundation, "Corporate Tax Rates Around The World, 2023" (December 2023). *Available at* https://taxfoundation.org/data/all/global/corporate-tax-rates-by-country-2023/.

[14] Congressional Research Service, "Section 199A Deduction for Pass-Through Business Income: An Overview" (March 2024). *Available at:* https://www.everycrsreport.com/files/2024-03-22_IF11122_827ba9d5373fd4f44d9054bfb20376459d05e20b.pdf

At the time of 2017 tax reform, 64% of pass-throughs had fewer than five employees, 81% had fewer than 10 employees and 99% had fewer than 100 employees.[15] Policymakers noticed the critical role pass-through businesses were playing in the economy and in their communities, and there was broad bipartisan recognition that relief for pass-throughs must be considered in any comprehensive business tax reform package. The Senate Finance Committee Business Income Tax Bipartisan Working Group stated in report to the committee: "Clearly, business tax reform needs to ensure that these businesses are not ignored in an effort to reduce the corporate tax rate…Pass-through businesses need to benefit from business tax reform for any such effort to be considered a success."[16]

In 2017, the TCJA instituted a new deduction for pass-throughs while also reducing the individual income tax rate for their owners. The new Section 199A deduction allowed pass-through manufacturers to deduct up to 20% of their qualified business income on their personal returns, freeing up capital to reinvest in their employees and their growth. The combination of the new deduction and the lower individual income rates were crucial to pass-throughs across the country, and these new pro-growth policies translated directly to increased investments and higher wages.

The 20% deduction for pass-throughs is set to expire at the end of 2025. Additionally, the individual income rates are scheduled to revert to their pre-TCJA levels. This will result in a one-two punch for pass-throughs across the country. The situation is potentially dire for manufacturers: a recent NAM survey found that 93% of pass-through manufacturers reported that the loss of this deduction will harm their ability to grow, create jobs and invest in their business. If Congress allows the pass-through deduction to expire and the individual income tax rates to rise, pass-throughs' effective tax rate will increase at least 10 percentage points—a drastic tax hike for small businesses across the country.

Congress should act swiftly to provide certainty to small businesses by making the pass-through deduction permanent. The 96% of American businesses organized as pass-throughs are depending on Congress to protect them from devastating tax increases.

Pass-Throughs are Subject to the Individual Tax Rates

Prior to tax reform in 2017, the top individual income tax rate was 39.6%. The TCJA reduced the top rate to 37% while also modifying the income brackets at which the top rate is effective. For married couples, the top rate now takes effect at $600,000 of income, as opposed to $480,050 prior to TCJA. Beyond the top rate, tax reform reduced income tax rates for manufacturing families at every income level, but these families will be facing a higher tax burden in 2026 if Congress does not act.

Manufacturers organized as pass-throughs generally pay tax on their business profits at the top individual tax rate. Pass-throughs' earnings do not go into the owners' pockets, but rather are reinvested in new equipment, machinery and facilities. The combination of the reduction in the top rate and the 20% pass-through deduction enabled pass-throughs in the manufacturing industry to make more of these job-creating investments.

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[15] U.S. Census Bureau, 2015 Statistics of U.S. Businesses, "U.S., NAICS sectors, legal form of organization (LFO)," https://www.census.gov/data/tables/2015/econ/susb/2015-susb-annual.html.
[16] Senate Finance Committee, "The Business Income Bipartisan Taw Working Group Report". *Available At:* https://www.finance.senate.gov/imo/media/doc/The%20Business%20Income%20Bipartisan%20Tax%20Working%20Group%20Report.pdf

It is crucial that Congress preserve tax reform's pro-growth tax system for small businesses, as more than 74% of manufacturers have fewer than 20 employees. If Congress wants to see the manufacturing sector succeed, the individual income tax rates must remain as low as possible. If the individual income rates are allowed to revert back to their pre-TCJA levels, Congress will be sending a clear message that manufacturers should have fewer resources to invest and create jobs here in America.

Manufacturers Need A Pro-Growth R&D System to Compete

For nearly 70 years, the U.S. tax code recognized the vital importance of R&D for businesses trying to compete and innovate. Until recently, manufacturers in the U.S. were able to fully deduct their R&D expenses in the year incurred. However, immediate R&D expensing expired in 2022, and manufacturers are now required to amortize their R&D expenses over several years. This harmful change increases the cost of conducting R&D in the U.S. at a time when our global competitors are offering robust R&D incentives—like China's 200% super deduction. Now, the U.S. tax code puts manufacturers in America who invest in R&D at a severe disadvantage, drastically reducing the tax savings associated with R&D expensing and thus reducing the additional capital manufacturers have available to invest for the future.

The federal government has historically prioritized investments in R&D as a way to secure our country's place as a world leader in innovation. In 1960, the United States accounted for 69% of global R&D. However, from 1960 to 2019, the U.S. share of global R&D fell to 30%. Further, since 2002, countries such as China, the United Kingdom and Korea have outpaced the U.S. in growth in R&D expenditures, with these countries making R&D a national priority over the past two decades.[17]

A report from the European Union found that both the EU and China gained a significant advantage after the expiration of the TCJA R&D tax policies.[18] In 2022, the first full year after immediate expensing for R&D expired in the United States, EU R&D growth surpassed the U.S. for the first time in nearly a decade. Even more worrisome, China's R&D growth tripled that of the United States in 2022. Seventeen countries now provide a deduction that is more than 100% of eligible R&D expenses, further making the United States a less attractive place to conduct R&D.

Manufacturers challenge themselves every day to provide our customers with a good reason to spend their dollars here. The private sector accounts for more than 75% of total R&D spending in the U.S.,[19] with small businesses spending more than $90 billion on R&D each year.[20] Manufacturers perform more than half of all private-sector R&D—across the industry, manufacturers spend more than $350 billion annually on groundbreaking research. Meanwhile, countries around the world are implementing more favorable R&D policies than in the United

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[17] American Association for the Advancement of Science "U.S. R&D and Innovation in a Global Context: The 2024 Data Update" (April 2024). *Available at* https://www.aaas.org/sites/default/files/2024-04/AAAS%20Global%20RD%20Update%202024.pdf

[18] "EU Industrial R&D Investment Scoreboard" (2023), *Available at* https://op.europa.eu/en/publication-detail/-/publication/1e5c204f-9da6-11ee-b164-01aa75ed71a1/language-en.

[19] National Center for Science and Engineering Statistics, National Science Foundation, National Patterns of R&D Resources: 2020-21 Data Update, NSF 23-321 (Jan. 4, 2023), *Available at* https://ncses.nsf.gov/pubs/nsf23321.

[20] National Center for Science and Engineering Statistics, National Science Foundation, InfoBrief, NSF 22-343 (Oct. 4, 2022), *available at* https://ncses.nsf.gov/pubs/nsf22343 and InfoBrief, NSF 23-305 (Dec. 14, 2022), *available at* https://ncses.nsf.gov/pubs/nsf23305.

States. Congress must act to restore immediate R&D expensing and preserve America's leadership in R&D and innovation.

The Manufacturing Sector Overwhelmingly Utilizes Accelerated Depreciation

The ability for companies to immediately deduct all or a portion of the cost of capital equipment purchases has been a staple of the U.S. tax code for decades. Tax reform allowed manufacturers to immediately expense 100% of the cost of capital equipment purchases in the year incurred, spurring unprecedented growth in the manufacturing sector and positioning the U.S. to attract capital in a competitive global market. However, full expensing began phasing out in 2023 and will completely expire in 2027. This phase-down comes at a time when many of the United States' global competitors, including China, have instituted permanent full expensing polices to attract foreign investment.

Capital-intensive industries like manufacturing are the primary beneficiaries of full expensing; according to the non-partisan Joint Committee on Taxation, the manufacturing sector, and specifically small manufacturers, overwhelmingly utilize accelerated depreciation more than any other sector.[21] This has been true for decades—in a report released by the Department of Treasury under President Obama, the agency found:

> "The greatest bonus depreciation deductions have occurred in those industries that have the largest investments in depreciable property. In 2008, manufacturers claimed 22 percent of all bonus depreciation deductions." [22]

The report goes on to recommend instituting 100% accelerated depreciation given that the increased investment activity resulting from full expensing would "spur the growth of incomes and jobs for Americans." President Trump and Congress delivered on instituting full expensing in 2017, and now Congress must do the same to ensure the manufacturing sector is not unfairly punished by its phase-down and eventual expiration.

If Congress does not act, accelerated depreciation will be entirely absent from the U.S. tax code for the first time in decades—limiting manufacturers' tax savings associated with capital spending and thus harming the sector's ability to invest in job-creating and job-sustaining equipment and machinery.

Manufacturers Utilize Debt Financing to Invest in Job-Creating Projects

Many manufacturers borrow funds to finance long-term investments in equipment and facilities, which in turn help create jobs and enable manufacturers to compete effectively in today's global economy. Tax reform allowed manufacturers to deduct interest on business loans, up to a cap: 30% of a business's earnings before interest, tax, depreciation and amortization (EBITDA). But this pro-growth EBITDA standard expired in 2022, and the cap is now 30% of a business's earnings before interest and tax (EBIT).

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[21] Joint Committee on Taxation, "Tax Incentives for Domestic Manufacturing," JCX-15-21 (March 2021), *Available at* https://www.jct.gov/publications/2021/jcx-15-21/.

[22] United States Department of the Treasury, "The Case for Temporary 100 Percent Expensing: Encouraging Business to Expand Now by Lowering the Cost of Investment" (October 2010). *Available at*: https://obamawhitehouse.archives.gov/sites/default/files/Expensing_Report.pdf

By excluding depreciation and amortization expenses from the interest deduction calculation, the EBIT standard makes debt financing more expensive—punishing manufacturers with significant investments in depreciable assets like equipment and machinery as well as valuable intellectual property subject to amortization. Increasing the cost of debt financing makes it more costly for manufacturers to invest in growth and expansion.

An NAM study found that limiting manufacturers' ability to deduct interest on debt-financed investments will cost the U.S. economy more than 860,000 jobs.[23] In a time when manufacturers might have less access to capital in the light of increased interest rates, policymakers should not impose harsher limitations that make it more difficult for manufacturers to finance investments. Congress should support manufacturers' efforts to get job-creating projects off the ground by returning the U.S. to an EBITDA standard for interest deductibility.

The Estate Tax Harms Family-Owned Manufacturers

Manufacturers believe that the U.S. tax code should protect and promote the 90% of American businesses that are family-owned. However, the estate tax not only unfairly taxes families during one of the most difficult times in their lives, but it also directly influences manufacturers' decisions when it comes to investing and growing their business.

The modern-day estate tax was implemented by the Revenue Act of 1916. The government used the revenues to fund the war effort in World War I, building on a tradition of transfer and inheritance taxes being used to fund military efforts during wartime. Since its enactment, the government has altered the estate tax to fit the current economic and social realities of the country. Over the past several decades, the efficiency and practicality of the estate tax has been examined thoroughly by policymakers and economists. In a review of the estate tax by the Joint Economic Committee prior to tax reform, the committee found:

> "There are extensive costs associated with the estate tax in terms of the dissolution of family businesses, slower growth of the capital stock, and the resulting loss of output and income over time. If the estate tax actually provided benefits, such as raising a significant amount of revenue or reducing inequality, the estate tax might be justified, but the estate tax does not. Perversely, the estate tax actually creates an impediment to income and wealth mobility. Moreover, the estate tax may actually reduce aggregate federal tax revenue by reducing the collections from other federal taxes."[24]

Further, the estate tax is a massive regulatory burden both for filers and for the IRS. It is estimated that the estate tax imposes regulatory cost of over $100 million each year.[25] This is a massive compliance burden for a tax that generates revenue equal to less than 0.1% of gross domestic product per year.[26]

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[23] "Economic impact of a stricter 163(j) interest expense limitation," EY (September 2022). *Available at* https://documents.nam.org/COMM/EY_NAM_Economic_Analysis_163j_Limitation_FINAL_10_06_2023.pdf

[24] Joint Economic Committee, "Cost and Consequences of the Estate Tax: An Update (July 2012). *Available at:* https://www.jec.senate.gov/public/_cache/files/bc9424c1-8897-4dbd-b14c-a17c9c5380a3/costs-and-consequences-of-the-federal-estate-tax-july-25-2012.pdf

[25] National Taxpayers Union Foundation "Death and a Thousand Paper Cuts: The Compliance Burden of the Estate Tax" (October 22017). *Available at:* https://www.ntu.org/foundation/detail/death-and-a-thousand-paper-cuts-the-compliance-burden-of-the-estate-tax

[26] Congressional Budget Office, "Understanding Federal Estate and Gift Taxes" (June 2021). *Available at:* https://www.cbo.gov/publication/57129#:~:text=In%202020%2C%20revenues%20from%20federal,domestic%20product%2C%20or%20GDP).

One area of agreement among policymakers has been the need for an exemption level for small and medium businesses so they are not unfairly harmed by tax. The Tax Cuts and Jobs Act addressed this concern by raising the exemption from $5.49 million in 2017 to $11.8 million in 2018 and annually adjusting for inflation until 2025. This change was monumental, as the estate tax has a significant impact on family-owned manufacturers' ability to continue to operate after the death of a loved one. The tax has a disproportionate impact on family-owned manufacturers because their companies consist largely of illiquid assets that would need to be sold or leveraged to satisfy the tax burden.

The estate tax exemption threshold is scheduled to be reduced by half at the end of 2025, subjecting more family business assets to taxation and threatening the viability of these businesses when the owner passes away. Congress must protect family-owned manufacturers by preserving the increased exemption threshold or by eliminating the estate tax altogether.

Further, Congress should fully preserve stepped-up basis, which prevents a business owner's heirs from being forced to pay a capital gains tax on the asset appreciation that occurred during the owner's lifetime. Stepped-up basis is not scheduled to expire in 2025, but President Biden's FY 2025 budget proposal would limit its use for family-owned businesses. Ending stepped-up basis would cost the U.S. economy 80,000 jobs per year over the course of a decade and 100,000 jobs per year thereafter.[27] Congress should preserve both the increased estate tax exemption threshold and stepped-up basis so family-owned manufacturers do not face costly and damaging tax bills that threaten their ability to keep the business in their family.

Manufacturers Rely on a Pro-Growth International Tax System

Tax reform implemented a competitive international tax system, anchored by the newly lowered corporate income tax rate, that supports manufacturers' efforts to invest and create jobs here at home. These reforms changed the way foreign-sourced income earned by U.S. companies and their foreign subsidiaries are taxed. The TCJA enacted a host of new tax policies in the international space, including the Global Intangible Low-Taxed Income (GILTI) regime, the Base Erosion Anti-Abuse Tax (BEAT) and the Foreign-Derived Intangible Income (FDII) deduction.

The GILTI regime functions as a global minimum tax, designed to ensure that a company's foreign earnings are subject to a minimum level of tax. It works together with the BEAT to broaden the U.S. tax base as an important counterpart to the lower corporate rate. FDII allows for a deduction on income derived from certain intangible and tangible products and services in foreign markets. These three provisions, along with the lower corporate rate and updated territorial tax system, work in concert to encourage companies to keep their operations here at home.

Like many aspects of the TCJA, there was broad bipartisan consensus that the tax code needed to be updated, especially when it came to our international tax system. The Senate Finance Committee Bipartisan International Tax Working Group stated in their report:

> "By standing still, the United States has fallen behind other countries that have adopted modern international tax rules to help their companies and workers compete in the

[27] EY, "Repealing step-up of basis on inherited assets: Macroeconomic impacts and effects on illustrative family businesses," (April 2021). *Available at* https://documents.nam.org/tax/ey-fbetc-stepupreport.pdf.

> global marketplace…The co-chairs agree that we must take legislative action soon to combat the efforts of other countries to attract highly mobile U.S. corporate income."[28]

Congress accomplished these goals by lowering the U.S.'s corporate tax rate and providing further incentives for manufacturing investment in the U.S.; policymakers should not allow our international tax system to fall back to an ineffective system that makes it more difficult for manufacturers to compete internationally.

Tax increases on globally engaged manufacturers are scheduled to take effect at the end of 2025 that will make the U.S. a less competitive place to invest. In particular, the GILTI rate will increase from 10.5% to 13.125%, while the BEAT will increase from 10% to 12.5%, resulting in tax increases on globally engaged manufacturers. Additionally, the FDII deduction is scheduled to decrease from 37.5% to 21.875%, which means an increase in the effective tax rate from 13.125% to 16.406% for companies utilizing the deduction.

Beyond these scheduled expirations, President Biden's FY 2025 budget proposed several harmful changes to the international system, including raising the GILTI rate to 20% and repealing the FDII deduction completely.

Congress must not allow policies to take effect that would limit manufacturers' competitiveness on the world stage. At a time when other countries and foreign tax bodies are attempting to impose their own aggressive tax regimes that directly target manufacturers in America, Congress should work to preserve our current system and prevent any harmful changes increase taxes on globally engaged companies.

Manufacturers call on Congress to protect both the lower corporate rate and TCJA's international provisions—the combination of which has bolstered U.S. competitiveness and manufacturing growth.

Manufacturers Are Leaders in Clean Energy

Both the Tax Cuts and Jobs Act and the Inflation Reduction Act created important clean energy tax credits to support manufacturers' efforts to invest in the groundbreaking energy technologies of the future. As Congress considers comprehensive tax legislation in 2025, lawmakers should preserve pro-investment, pro-manufacturing energy tax credit policies while also ensuring that these programs are operating as well as possible. The manufacturing sector has made transformational investments in new technologies and clean energy solutions thanks in part to the tax incentives created by Congress, and manufacturers urge Congress to maintain these vital incentives.

Even as the industry continues to make important progress by leveraging these incentives, manufacturers still face headwinds in the form of overregulation and ineffective implementation of the energy credits Congress authorized. Manufacturers thus encourage lawmakers to not only preserve the credits Congress has enacted, but also to examine the guidance that agencies have issued to implement the credits. Flexible guidance and a streamlined process to distribute funds efficiently and effectively are essential to ensure the programs are working as intended.

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[28] Senate Finance Committee, "The International Tax Bipartisan Working Group Report". *Available At:* https://www.finance.senate.gov/imo/media/doc/The%20International%20Tax%20Bipartisan%20Tax%20Working%20Group%20Report.pdf

Manufacturers are relying on the Treasury Department—with appropriate congressional oversight—to issue workable guidance and standards that are feasible to meet. When the guidance becomes too cumbersome or Treasury is too slow to make the incentives available, companies are unable to move forward with projects that were intended to succeed when Congress approved the credits. It is essential that Congress conducts oversight of the administration to make sure they are implementing the programs correctly.

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Manufacturing employs 13 million Americans, contributes $2.81 trillion to the U.S. economy annually and has one of the largest multiplier effects in the economy. Taken alone, manufacturing in the United States would be the seventh-largest economy in the world. But that economic leadership, and therefore the economic security of American families, is in jeopardy if Congress fails to preserve a competitive tax code.

Manufacturers appreciate the thoughtful consideration that the Manufacturing Tax Team is giving to how the tax code impacts our sector—including manufacturers of all sizes throughout the supply chain and manufacturing families across the country. Failing to act in 2025 will cost millions of jobs and put the American manufacturing sector at a severe disadvantage globally. Congress should pursue tax policies that strengthen manufacturing in the U.S., ensuring that America remains a globally competitive home for manufacturing investment.

Sincerely,

Charles Crain
Vice President, Domestic Policy
National Association of Manufacturers