Charles Crain

Vice President,
Domestic Policy

June 27, 2024

Rep. Carol Miller
Chair, Supply Chain Tax Team
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Rep. David Kustoff
Vice Chair, Supply Chain Tax Team
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Rep. Brad Wenstrup
Supply Chain Tax Team
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Rep. Drew Ferguson
Supply Chain Tax Team
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Rep. Michelle Fischbach
Supply Chain Tax Team
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Rep. Randy Feenstra
Supply Chain Tax Team
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Chair Miller, Vice Chair Kustoff, Rep. Wenstrup, Rep. Ferguson, Rep. Fischbach and Rep. Feenstra:

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 the Supply Chain Tax Team's efforts to bolster the manufacturing supply chain—which is comprised largely of small, pass-through and family-owned businesses—by protecting and preserving the extraordinarily important reduction of the corporate income tax rate and the implementation of many crucial pro-growth energy credits, in addition to other vital 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]

[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/

- Manufacturing capital spending grew 4.5% and 5.7% in 2018 and 2019, respectively.[3]
- 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%

---

[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
[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

rate in 2012,[10] while President Trump, as a candidate in 2016, released a tax reform plan based on a 15% corporate rate.[11]

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.

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, manufacturers encourage the Ways and Means Supply Chain Tax Team to 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.

---

[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/

[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/.

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 the Ways and Means Supply Chain Tax Team 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.

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.

***

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 Supply Chain Tax Team is giving to how the tax code impacts our sector—including manufacturers of all sizes throughout the supply chain. 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 P. Crain

Charles Crain
Vice President, Domestic Policy
National Association of Manufacturers