WHAT'S AT STAKE: FULL EXPENSING

94% of manufacturers believe it is important that the tax code reduce the cost of capital equipment purchases and other investments

78% of manufacturers said that the expiration of full expensing and other pro-growth tax provisions has decreased their ability to grow U.S. manufacturing activity

80% of manufacturers reported that their ability to purchase capital equipment makes it easier to grow their workforce here in the U.S.

73% of manufacturers said that tax increases would limit their capital investment opportunities

What is full expensing?

Accelerated depreciation is the ability to recover the cost of acquiring an asset—such as equipment or machinery—over a short time span, rather than writing off the purchase price over the course of the asset's useful life.

Full expensing, also known as 100% accelerated depreciation, allows companies to recover the cost of these capital investments in full in the year of purchase.

Why is full expensing important to manufacturers?

Accelerated depreciation policies—and especially full expensing—make it more cost-effective for manufacturers to acquire expensive equipment and machinery. According to the nonpartisan Joint Committee on Taxation, capital-intensive industries like manufacturing are the primary beneficiaries of full expensing. Additionally, the JCT has reported that accelerated depreciation policies lead to stronger manufacturing investments, especially for small businesses.

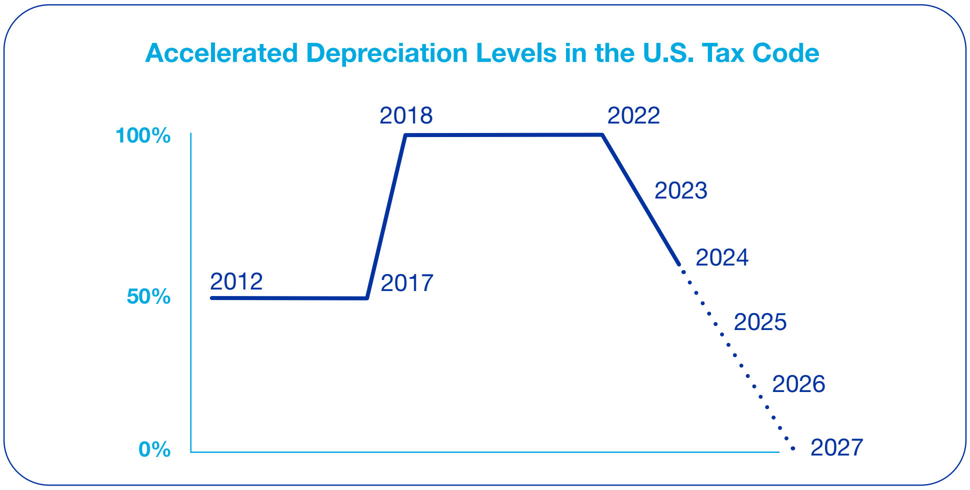
Congress has long recognized the economic benefits of first-year cost recovery: some level of accelerated depreciation has been included in the tax code for decades in order to support the manufacturing investments that drive economic activity and growth.

How did tax reform impact full expensing?

Tax reform implemented full expensing for capital investments. Since tax reform's enactment, the 100% level of accelerated depreciation has allowed manufacturers to purchase new equipment and expand their shop floors, leading to increased productivity and job creation.

How has full expensing changed since 2018?

Full expensing began phasing out in 2023. That year, it was reduced to 80% accelerated depreciation, with 20% reductions scheduled for each subsequent year. Without congressional action, it will expire completely in 2027.



How has the phasedown of full expensing impacted manufacturers?

The phasedown of full expensing has increased the cost of capital investments, undercutting America's manufacturing leadership and putting the sector's ability to invest in job-creating and job-sustaining equipment and machinery at risk.

	Capital Equipment Purchases	Year One Tax Deduction	Year One Tax Savings
Full Expensing (2018–2022)	$1,000	$1,000	**$210**
20% Accelerated Depreciation (2026)	$1,000	$200	**$42**

Making matters worse, the phasedown comes at a time when many of the United States' global competitors, including China, have instituted permanent full expensing policies to attract investment.

What's at stake for full expensing in 2025?

If Congress does not act, accelerated depreciation will be entirely absent from the U.S. tax code beginning in 2027—limiting manufacturers' ability to invest in the equipment and machinery they need to drive economic growth and job creation. This would be an unprecedented change and would have a disproportionate impact on manufacturers, and especially smaller manufacturers, that rely on capital investments to support their growth.

What should Congress do to encourage capital investments in the manufacturing industry?

Congress must act to make full expensing permanent. Restoring the 100% level of accelerated depreciation will reduce the cost of capital equipment purchases across the manufacturing sector, supporting growth and job creation at manufacturers of all sizes.