THE COST OF INACTION: HOW TAX INCREASES THREATEN AMERICAN JOBS AND WAGES

Key pro-manufacturing tax provisions from 2017 Trump tax reform have already phased out, with several more set to expire at the end of 2025. New analysis by EY for the National Association of Manufacturers shows the economic impact will be severe. **If Congress fails to act by the end of 2025 to preserve the Tax Cuts and Jobs Act, nearly 6 million American jobs will be lost.**

MANUFACTURING IMPACT

1.137M LOST JOBS

$126B LOST WAGES

$284B LOST GDP

If Congress does not act, manufacturers will face:

- **Higher taxes** on pass-through businesses and family-owned firms;
- **Increased costs** for R&D, capital equipment purchases and business loans; and
- **An uncompetitive international tax regime** that disincentivizes investment in the U.S. and hampers manufacturers' ability to compete on the world stage.

Manufacturers are calling on Congress to preserve tax reform in its entirety. Millions of American jobs, billions of dollars in employee compensation and over $1 trillion in U.S. GDP are on the line. Congress *must* support America's manufacturers by restoring a pro-manufacturing tax code.

NATIONAL ASSOCIATION OF Manufacturers

Congress Must Act by the End of 2025 to Protect Manufacturing Jobs, Growth and Innovation

PROTECT SMALL BUSINESSES

Pass-Through Deduction

Tax reform created a new deduction that allows pass-through manufacturers to deduct up to 20% of their business income, freeing up capital to reinvest in their employees and their growth. The pass-through deduction is scheduled to expire, increasing taxes on small businesses throughout the manufacturing industry.

Individual Tax Rates

Pass-through manufacturers pay taxes at the individual income tax rates, which are scheduled to increase significantly to pre-tax reform levels.

Estate Tax

Tax reform excluded more of family-owned businesses' assets from the estate tax, easing their tax burden when an owner passes away. The increased exemption threshold is scheduled to expire, which could force these businesses to take on debt or sell machinery to pay the tax.

SUPPORT INNOVATION AND INVESTMENT

Immediate R&D Expensing

For nearly 70 years, manufacturers in the U.S. could fully deduct their R&D expenses in the year incurred. But manufacturers are now required to spread their R&D deductions over several years, making R&D investments significantly more expensive.

Full Expensing

Full expensing, also known as 100% accelerated depreciation, allows manufacturers to deduct the full cost of capital investments in the year of purchase. Full expensing began phasing out in 2023, resulting in damaging cost increases for equipment and machinery purchases.

Interest Deductibility

Manufacturers use business loans to finance job-creating projects and capital investments. To encourage these investments, manufacturers can deduct their interest payments on these loans, up to a cap. The interest deductibility cap became more restrictive in 2022, making it harder for manufacturers to grow and expand.

ENHANCE AMERICAN COMPETITIVENESS

Corporate Tax Rate

Tax reform lowered the U.S. corporate tax rate from 35%—the highest in the OECD and the third highest in the entire world—to 21%. Maintaining or further reducing the corporate rate is crucial to bolstering America's manufacturing leadership and competitiveness on the world stage.

FDII

Tax reform's deduction for Foreign-Derived Intangible Income incentivizes companies to locate intellectual property in the U.S. The scheduled decrease in the FDII deduction will penalize manufacturers that prioritize developing IP in the U.S. and exporting products abroad.

GILTI

The Global Intangible Low Tax Income regime subjects companies' worldwide income to U.S. tax if their worldwide tax obligations fall below a certain minimum percentage threshold. The scheduled increase in the minimum GILTI rate will undermine America's competitiveness by making it more costly and difficult for companies to operate here in the U.S.

BEAT

The Base Erosion and Anti-Abuse Tax is scheduled to increase, subjecting many ordinary-course transactions, like interest and royalty payments, to additional taxation, increasing the costs of doing business for manufacturers operating around the world.