KEEPING OUR PROMISES

MANUFACTURERS ON EIGHT YEARS OF TAX REFORM

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NATIONAL ASSOCIATION OF
Manufacturers


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Keeping Our Promises: Manufacturers on Eight Years of Tax Reform

Manufacturers championed the Tax Cuts and Jobs Act of 2017, making clear to policymakers that a competitive U.S. tax code would empower the industry to invest, create jobs and grow the American economy. In the nearly eight years since tax reform's passage, manufacturers have **kept their promises.**

As the manufacturers interviewed in this report made clear time and again, the TCJA amounted to a generational investment in manufacturing in the United States—and manufacturers responded by investing in their facilities, their workers and their communities.

The TCJA continues to power companies of all sizes—across every state and congressional district—to do what manufacturers in the United States do best: put more shovels in the ground, more people to work, more products into the market and more momentum behind America's dominance as the world's preeminent manufacturing superpower. In 2018, for example, just one year after the TCJA became law, manufacturing in the United States secured the best year in job creation in more than two decades, the best wage growth in 15 years and impressive growth in capital spending, increasing by 4.5% in 2018 and by 5.7% in 2019.[1]

Needless to say, tax reform works. The investments the TCJA enabled continue to support American workers, their families, their communities, their companies—and our country.

This report details how manufacturers and business leaders invested their hard-earned dollars—capital that the TCJA enabled them to save by implementing pro-growth tax policy. In brief, tax reform allowed manufacturers to invest capital in employee compensation, research and development, facility expansion, production equipment and the future of their businesses.

By detailing the many positive impacts of tax reform, this report also illustrates what's at stake for our nation if Congress allows the benefits of the TCJA to expire at the end of 2025.

In fact, unfortunately, several pro-growth, pro-manufacturing tax policies have expired already—with many more damaging expirations scheduled for the end of this year. That means that each passing day puts more jobs, wages and growth at risk. Previous NAM-commissioned research made abundantly clear the stakes for our economy: if Congress does not extend tax reform, 6 million American jobs, more than $500 billion in worker wages and benefits and more than $1 trillion in U.S. GDP are at risk.[2] In other words, to allow the TCJA to expire would be a needless and self-inflicted blow to our nation's economic strength. It would bring economic harm to the 13 million manufacturing workers who make things in America—and the companies they help to power.

MANUFACTURING IMPACT

- **1.137M LOST JOBS**
- **$126B LOST WAGES**
- **$284B LOST GDP**

Fortunately, Congress and the president are hard at work on legislation to extend the provisions that have powered so much of our nation's prosperity since tax reform's enactment in 2017—and to make those provisions permanent.

When President Trump announced his plans for generational tax reform in 2017, he called the legislation "rocket fuel" for our economy. These tax reforms *were* rocket fuel, powering our nation's prosperity and the manufacturers at the foundation of the U.S. economy. That's a success story we are proud to detail in this report, from the perspective of the manufacturers that kept their promises and from nonpartisan academic research that underscores what manufacturers have felt for the past eight years: **tax reform worked.**

This report highlights manufacturers' stories: companies that used the savings from tax reform to invest in the future. It also shows how these manufacturers' stories echo across the economy by synthesizing research commissioned since the TCJA's enactment that illustrates the economic benefits of tax reform. The stories of **Westminster Tool, Gentex** and **Jamison Door Company** are emblematic of the more than a dozen manufacturers keeping their promises highlighted in the following pages.

Westminster Tool used TCJA-enabled savings to create jobs and provide its largest employee bonuses in the company's 30-year history.

A small company in Connecticut, **Westminster Tool** designs and creates plastic injection molds for the medical, aerospace and consumer products industries. Thanks to tax reform, Westminster was able to hire more than a dozen workers, growing its workforce by nearly 30%. The TCJA also empowered Westminster Tool to invest in its employees—via historic bonuses, as well as wage increases of 45% to keep pace with cost-of-living increases—which previously had been out of reach for the company.

On the factory floor, the TCJA enabled Westminster Tool to invest in cutting-edge production equipment while diversifying into additive manufacturing. The TCJA gave them the confidence needed to invest in the future—and they were able to purchase more machines in 2018, the year following tax reform's passage, than in any previous year in the company's history.

The TCJA reinforced Gentex's decision that manufacturing in the United States was the right decision.

Based in Michigan, **Gentex** is a supplier of automotive rearview mirrors as well as cabin monitoring, aerospace and fire-detection technologies. The TCJA fueled this company's growth, which in turn enhanced job creation. Additionally, the increased capital from tax reform directly benefited Gentex's employees in the form of increased health care premium contributions and continued investment in an employee hardship assistance program that provides aid to employees recovering from emergencies, illnesses and other difficulties.

On the business side, the TCJA enabled the company to expand its Michigan footprint, invest heavily in R&D and upgrade existing facilities to produce innovative new products. The company hopes to continue this growth into the future, and an extension to the TCJA will offer the certainty needed to continue investment in manufacturing in the U.S.

Thanks to the TCJA, new capital and business opportunities mean Jamison Door Company has been on a “hiring binge” since 2018.

Jamison Door Company is a cold storage air door manufacturer with facilities across the country. Prior to the TCJA, Jamison was often faced with the difficult decision to conduct layoffs based on business and economic conditions.

After merging with an Italian company, tax reform laid the groundwork for Jamison Door to open a new facility in the U.S. rather than abroad. Additionally, the TCJA freed up capital needed to pursue patent applications that are critical to the company’s ability to manufacture innovative products.

Following the TCJA’s passage, Jamison Door expanded its facilities in Pennsylvania, Maryland and Montana, boosting its production capacity to meet growing domestic and international product demand.

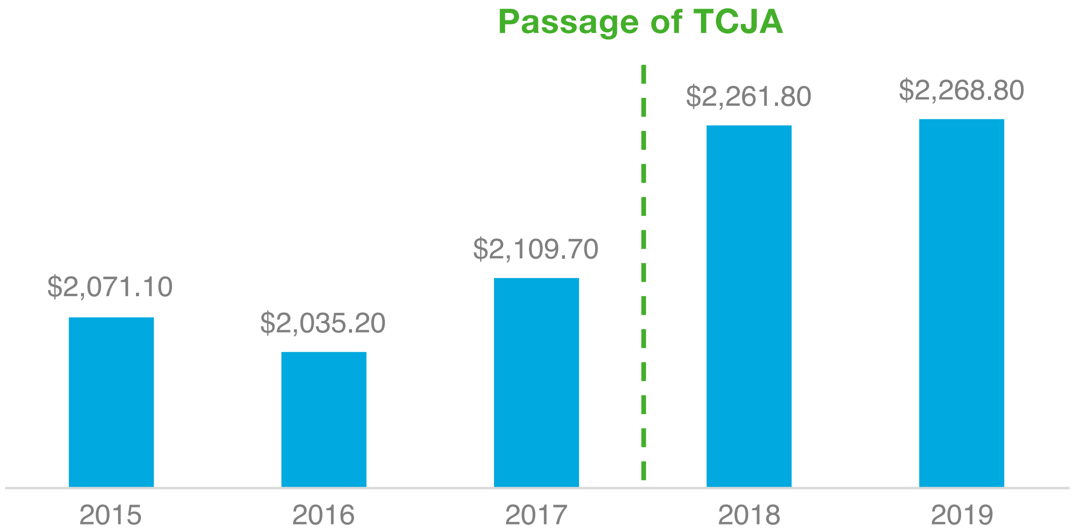
Westminster Tool, Gentex and Jamison Door are not unique in benefiting from tax reform. This report shows that manufacturers across the country—of all sizes and in all sectors of manufacturing—were able to utilize the TCJA to enhance wages and benefits, increase job creation, give back to their communities, expand production and investment, bolster R&D and innovation, purchase capital equipment and better compete on the world stage.

In other words: **manufacturers kept their promises.**

Benefits to Employees

By reducing the corporate tax rate to 21% from 35%, the TCJA enabled companies to save substantially—and invest those savings intelligently. In the manufacturing industry, manufacturing value added to GDP rose at a higher rate (7.6%) from 2017 to 2019, after the TCJA was enacted, compared with the two prior years (1.9%), between 2015 and 2017.[3] This is because every $1 reduction in the corporate tax rate generates an additional $0.44 in economic output on average, according to researchers' modeling.[4] The companies interviewed for this report, in fact, unanimously said that the reduction in the corporate tax rate was a meaningful source of tax savings—and, therefore, of growth and investment.

Manufacturing Value Added to GDP
(Billions of Dollars, 2015–2019)



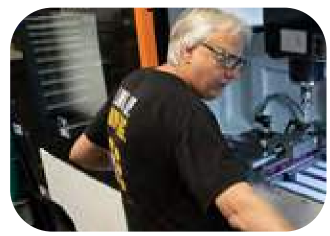
Improved Wages and Other Benefits

TCJA-enabled savings drove many companies to give employees raises and bonuses. Research finds that firms with greater expected tax savings from the TCJA were those most likely to announce payments to workers.[5] In addition, in the two years after the TCJA's enactment, average earnings for production workers rose 6.0% compared with just 4.9% for the two years prior to the TCJA.[6]

Let's give a few examples.

- **Advanced Superabrasives** produces high-tech grinding wheels, a critical tool that sharpens and refines other tools that manufacturers depend on. In the first two years after the TCJA became law, **tax reform enabled the company to give raises, on average, three or four times a year**—whereas before, raises would be provided only annually. That degree of investment helps the company compete for and retain manufacturing talent—while providing additional take-home pay for workers, which supports their financial security and stimulates local economies.
- **Westminster Tool used TCJA-enabled savings to provide its largest employee bonuses in company history.** In addition, Westminster Tool grew its wages by 45%. This kept wages in line with cost-of-living increases—which previously had been out of reach for the company. Westminster Tool was proud to reward and invest in its employees at a time when the investment made a critical difference to its workforce. That investment continues to develop more motivated, loyal and productive employees.

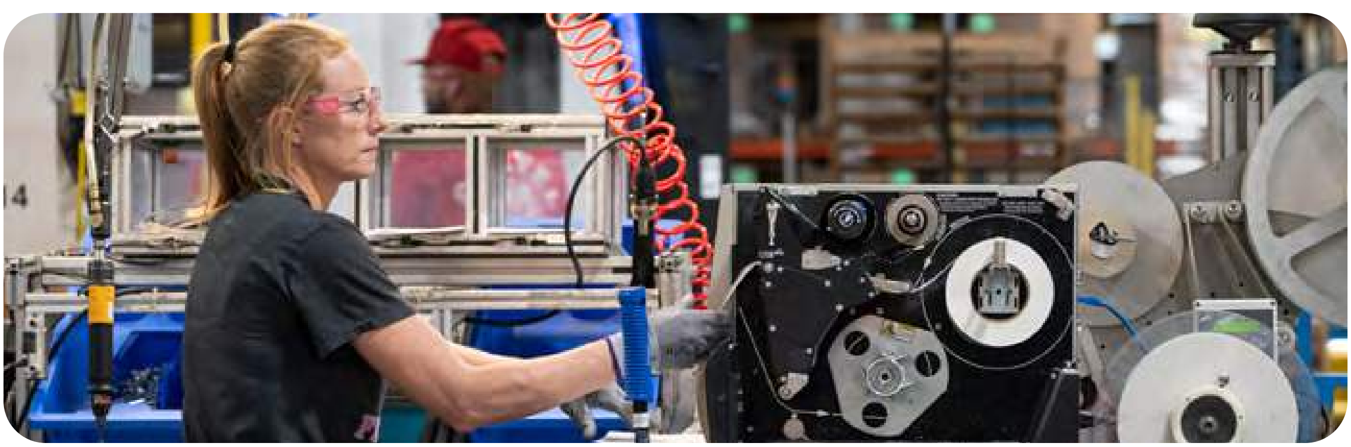
- **Marlin Steel Wire Products** makes highly engineered wire baskets and racks used in food processing and aerospace, as the baskets help transport sophisticated parts. **Powered by the TCJA, Marlin Steel raised its wages by 50% and has given employees pay raises and bonuses throughout the past seven years.**



- **Click Bond,** a small manufacturer of aerospace and defense assembly solutions, was able to review its pay scales and increase both hourly and supervisory workers' wages to better compete in the labor market and keep pace with inflation.

Tax savings also impacted employee benefits.

- Following passage of the TCJA, **Marlin Steel increased contributions to its 401(k) retirement plan.**
- Meanwhile, **Advanced Superabrasives began matching up to 3.5% of its employees' salaries via contributions to its 401(k) plan,** whereas it had not been able to provide any 401(k) matching before passage of the TCJA.
- **Click Bond** was able to **fund its employee academic assistance program,** which covers 100% of the cost of tuition and supplies for college or trade school.



The capital saved as a result of the lower tax burden has also helped companies offset the cost of health care.

- Thanks to the TCJA, despite the cost of health care benefits rising dramatically,[7] **Gentex** has been able to **keep employee contributions to health premiums stable** in recent years.
- Because of the TCJA, **Advanced Superabrasives** added dental and vision care to its traditional employee health benefits at no cost to employees.

Job Creation

In addition to increased benefits for existing employees, the TCJA also led manufacturers to hire more workers. While job creation alone is good for communities, it also means a compounded benefit to manufacturing itself—because hiring more people means training and developing them into skilled employees.

For example, research found that, for the two years following TCJA passage, tax reform accelerated U.S. job growth by 1.5 percentage points—a significant nominal increase representing hundreds of thousands of new nonfarm jobs, with impacts across the manufacturing economy. The TCJA also led to a 1.0 percentage point increase in the labor force participation rate, signifying hundreds of thousands of civilians entering the labor force.[8] By stimulating the economy and invigorating the labor market, the TCJA also implied a tax multiplier of 2.7, meaning that U.S. GDP increased by $2.70 for every dollar of tax reduction—a sizeable economic injection.[9] Overall, the data is clear that the TCJA had a sizable, positive impact on the labor force.

↑1.5%
Improvement in Job Growth

↑1.0%
Increase in Labor Participation Rate

$2.70
Tax Multiplier

Companies interviewed shared how the TCJA made a substantial impact on the labor force.

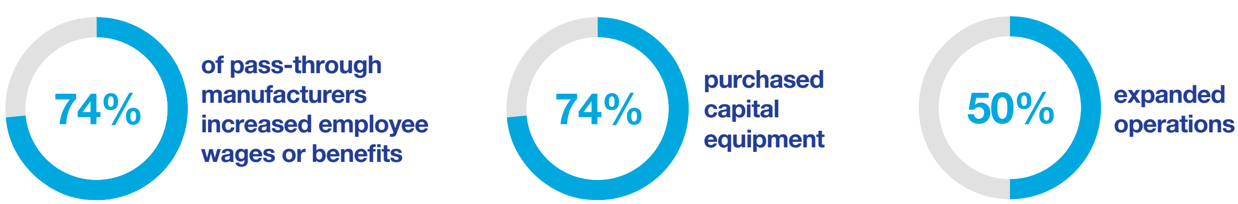
- Thanks to the TCJA, **Marlin Steel's** headcount has grown nearly five times larger—expanding from 25 employees to 115 employees. The company's goal is to give customers the best tools available, and its expanded headcount in recent years gives it the capacity to support that mission.
- Prior to the TCJA, **Jamison Door Company** was often faced with the difficult decision to conduct layoffs based on business and economic conditions. But since the TCJA's passage, new capital and business opportunities mean the company has been on a "hiring binge" since 2018. Now, the more pressing challenge is finding enough qualified workers in its region to meet its increased demand and growing business.

> **"The TCJA caused a lot of rocket fuel. We have been hiring ever since."**
> – Jamison Door Executive Vice President, General Counsel and Secretary Boyce Martin

- **Westminster Tool,** a company with fewer than 40 employees, grew its workforce by nearly 30%.
- **Winton Machine,** a small machine shop in Georgia, increased its engineering payroll by 65% and its overall payroll by nearly 150%.
- **Advanced Superabrasives** also grew its workforce by 10% to meet new production demands spurred on by the ability to invest in new production lines.

Many of these small companies are organized as pass-through businesses; from a tax perspective, this means that owners pay income tax on the company's profits on their personal returns. The reduced individual tax rates and brackets in the TCJA have helped companies reinvest in their businesses. Additionally, the TCJA created a 20% deduction for pass-through income, which reduces these businesses' tax obligations and decreases the cost of capital investment.

Following the Passage of the TCJA in 2017*



*Results from the NAM's Q1 2025 Manufacturers' Outlook Survey

If these provisions are allowed to expire at the end of 2025 as they are scheduled to, it will harm the more than 96% of businesses in America that operate as pass-throughs.[10]

96% of U.S. businesses are organized as pass-throughs

93% of manufacturers have fewer than 100 employees

93% of pass-through manufacturers say losing the pass-through deduction will cost jobs, growth and investment

- This is true for **ALOM Technologies,** a manufacturing business services company that provides supply chain management, procurement and contract manufacturing. ALOM, which is organized as a pass-through, has reinvested every post-tax dollar into growing the company—demonstrating how the pass-through deduction can empower growing companies to make big investments in equipment, space and inventories.
- **DT Engineering** produces industrial automation equipment for a broad variety of industries, including medical devices, pharmaceutical, health care, HVAC and appliance, tire and rubber, and consumer products. DT Engineering reports that the pass-through deduction levels the playing field for manufacturers—and the loss of the provision will be detrimental to its ability to reinvest in its employees, equipment and communities.

Community Investments

The TCJA didn't benefit just workers, but also the communities where they live—further improving workers' quality of life and reinforcing manufacturers' commitment to the communities in which they operate.

- The additional financial cushion helped **Advanced Superabrasives** give back to its community, especially in times of need. After Hurricane Helene, the company had the resources and capacity to buy, collect and distribute necessary items for people who had lost their homes, including food, clothing and hygiene products.
- Similarly, **Gentex** used the TCJA's benefits to invest in its employees' hardship assistance program—providing aid to employees facing accidents, emergencies, illness and more.
- **Ketchie**, a family-owned machine shop in North Carolina, was able to create "Opportunity Knocks," an internship program for high school students that allows them to shadow experienced machinists on Ketchie's factory floor.
- Thanks to the TCJA, **Westminster Tool** donated equipment and funds up to $15,000 a year to local STEM educational programs in Connecticut. These donations didn't just help the community; they also helped to train future manufacturing workers. Unfortunately, Westminster Tool recently had to pause these donations amid the uncertainty that the tax provisions on which they rely may expire.

Benefits to Companies: Investment and Growth

In addition to benefiting employees, the TCJA promoted investment in manufacturing production and expansion, resulting in increased production, new facilities, more capital equipment purchases, enhanced R&D and more. Research shows that the TCJA significantly reduced the average net cost of new investment, making it easier and more cost-effective for manufacturers to invest for growth. Specifically, the data estimates that every one percentage point decline in the effective cost of new domestic capital goods driven by the TCJA yielded a 3% increase in domestic investment spending.[11] For the companies interviewed, that increased spending translated into more job-creating projects and operations, supporting investment across the country and competitiveness on the world stage.

↓1% Decrease in Effective Cost of Capital Goods → ↑3% Increase in Domestic Investment Spending

Expanded Production and Investment in New Facilities

Many companies used the increased capital availability supported by the TCJA's pro-growth tax reforms to expand their production.

- Thanks to the TCJA, Maryland-based **Marlin Steel** expanded its operations to Indiana and Michigan—growing its total facilities by approximately 30,000 square feet, increasing its engineering staff by 150% and investing almost $10 million in total since tax reform became law.
- To meet growing domestic and international product demand, **Jamison Door** expanded its facilities in Pennsylvania, Maryland and Montana, boosting its production capacity and allowing for increased sales.
- **Gentex** expanded its Michigan footprint and upgraded its existing production lines in the state.
- **DT Engineering** launched a business partnership with Ozarks Technical Community College in Springfield, Missouri, that provided another 15,000 square feet of manufacturing space in a newly built technology center.
- **Husco,** an automotive supplier of hydraulic and electric control systems, was able to spend nearly $50 million to modernize its headquarters and shop floor in Wisconsin, installing new, cutting-edge capital equipment.

Supercharged R&D

R&D is the lifeblood of manufacturing, with the industry conducting 53% of all private-sector research in the U.S. in 2023.[12] Manufacturers report that the TCJA increased capital availability, which allowed them to spend more on innovation and R&D, and the growth benefits for pro-R&D tax policy go far beyond the groundbreaking technologies that result from this important research.

Unfortunately, immediate R&D expensing, which allows companies to deduct R&D costs in the year incurred, expired in 2022. This change raises the after-tax cost of R&D and limits manufacturers' ability to bring innovative new products to consumers. Manufacturers interviewed made clear that restoring immediate R&D expensing should be a top priority as Congress works to enact tax legislation in 2025.

Tax reform supported increased R&D investments across manufacturing:

- **Masco** is a company that makes home improvement products, including plumbing and architectural coatings. Immediately after the TCJA became law, Masco increased its R&D spending by more than 24% from 2017 to 2018.
- For **Jamison Door,** the TCJA enabled the company to pursue patent applications that are critical to its ability to manufacture innovative products. Specifically, the TCJA freed up capital that Jamison Door used to complete the time- and capital-intensive patent application process.
- **Gentex** is investing in new technology constantly, so it spends heavily on R&D—spending supercharged by tax reform. Tax reform has allowed the company to maintain a competitive level of spending on development since the TCJA was signed into law.
- Similarly, **Advanced Superabrasives** previously conducted R&D with a partner in Germany and had a facility in Hong Kong due to more favorable tax incentives abroad. Following the enactment of the TCJA, the company moved its R&D back to the U.S. and closed those foreign facilities. As a result, the company kept product development facilities in the U.S. while opening new market segments in the semiconductor industry.

The expiration of immediate R&D expensing in 2022 had a significant and damaging impact on innovation for companies across the manufacturing sector:

- **Marlin Steel** reported that it was forced to reduce R&D spending beginning in 2023 due to the increase in R&D costs driven by the expiration of immediate R&D expensing. The R&D amortization requirement forces companies to spread out their R&D deductions over several years, limiting the tax savings associated with R&D and increasing the after-tax costs of research.

- **Husco** depends on R&D investments to deliver highly differentiated, proprietary hydraulic valves and control systems to its customers. Without the ability to expense R&D investments, the company lost $20 million in liquidity—representing almost its entire R&D budget for 2024 and forcing it to choose to either cut investments or turn to expensive external financing. This choice puts it—and all small manufacturers across America—at a disadvantage against international competitors.

- Similarly, **Westminster Tool** had to pivot away from novel R&D and toward legacy work, limiting its ability to innovate new products and services for clients. This pivot meant that the company missed out on job creation given the dearth of new, innovative projects.

Increased Investments in Capital Equipment

The TCJA spurred companies to invest not only in their people and R&D but also in their capital equipment. These investments are vital for companies looking to expand and enhance their manufacturing capabilities, build new products and design new things. In manufacturing in particular, equipment and machinery are vital to companies' ability to compete and grow.

Powering this vital capital spending, research found that a 1.0% increase in post-tax income from the TCJA increased investment by 3.8%.[13] Additionally, the same study reports that, due to the increased investment in the entire economy, the TCJA increased domestic investment in the short run by about 20%.[14] This is due in large part to the TCJA allowing full expensing for capital equipment purchases—enabling companies to immediately deduct 100% of the cost of equipment and machinery. This is especially true for manufacturing: a report conducted by the nonpartisan Joint Committee on Taxation found that manufacturers, and particularly small manufacturers, disproportionately utilize full expensing.[15]

↑1% → ↑3.8%

Increase in Post-Tax Income from the TCJA

Increase in Domestic Investment

The TCJA also set a new standard for the tax deductibility of interest payments that companies make. Companies in capital-intensive industries like manufacturing often rely on debt financing to enable job-creating investments and projects, and tax reform's interest deductibility standard (30% of a company's EBITDA) reduced the cost of these business loans—empowering increased investment.

Despite these clear benefits, full expensing began to phase down just a few years after the TCJA's enactment, falling to 80% in 2023, 60% in 2024 and 40% in 2025. It will expire completely in 2027. Similarly, the TCJA's interest deductibility standard expired in 2022, decreasing from 30% of a company's EBITDA to 30% of its EBIT. These changes increase the upfront costs associated with the critical investments that businesses in manufacturing and other capital-intensive industries need to grow.

Manufacturers interviewed were clear about the benefits of both full expensing and interest deductibility—and the threats posed by their expiration.

A few examples:

- **Masco's capital equipment spending increased by 27% from 2017 to 2018—from $173 million in 2017 to $219 million in 2018.** Full expensing allowed the company to deduct these costs upfront, freeing up capital for increased investments across the business.
- Similarly, following the enactment of the TCJA, **Westminster Tool bought more machines than it had since the company's founding in 1997.** These investments enabled the company to purchase a 3D printing machine and to quadruple its high-speed machining center, allowing it to expand operations and diversify its business into additive manufacturing.
- Immediately following the passage of the TCJA, **Marlin Steel** made about $10 million worth of investments.
- **Ketchie** was able to invest more than $1 million into new equipment, allowing the company to keep up with a surge of demand from its customers thanks to the TCJA. In 2018 and 2019, Ketchie purchased new machining equipment and technology, advanced robotics, tooling, fixtures and HVAC systems for its facilities.
- Meanwhile, **DT Engineering** made significant investments in more robust computing power as well as high-skills training for its employees—a set of investments that supported the company's shift to higher technology markets.
- In addition, in 2019, **Advanced Superabrasives** made its largest capital investment in company history—and it did so thanks to the full expensing provision created by the TCJA. The company invested $500,000 in 2019 and has continued to invest in the following years, at a rate of around $100,000 each year. According to the company, these investments have made workers more productive, which in turn increased profitability and created additional capital that Advanced Superabrasives reinvested in employees' wages and benefits. If full expensing and interest deductibility are restored, the company plans to increase its capital spending dramatically to $300,000–$400,000 in the next two years.

> **"We did the biggest purchase of capital equipment in 2019 in the company's history from when we were founded and that was because we had accelerated depreciation."**
> – Advanced Superabrasives President and CEO Jonathan Szucs

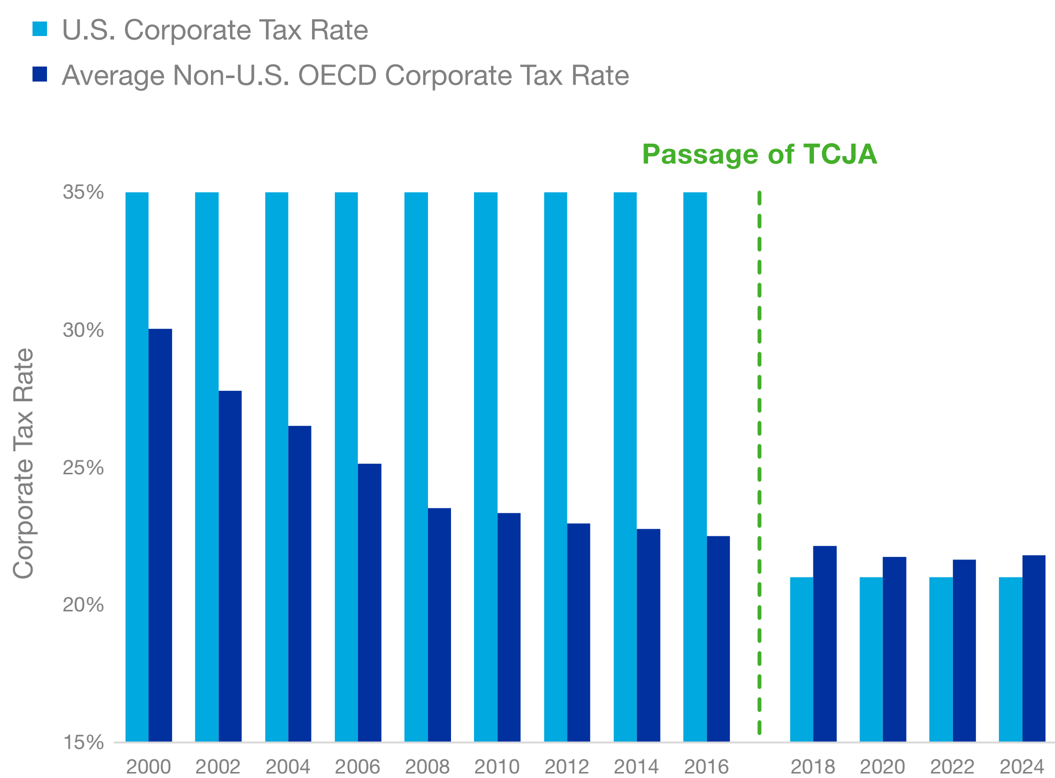
Because capital equipment purchases require a long lead time, manufacturers made clear that it is vital to extend the TCJA as soon as possible, so that future investments are not delayed due to tax uncertainty. Given the capital-intensive nature of manufacturing, manufacturers rely on both full expensing and interest deductibility to support job-creating investments—spending that is at stake if policymakers do not restore these pro-growth provisions.

The TCJA reinforced **Gentex's** decision that manufacturing in the United States was the best decision. Manufacturers believe in incentives that keep domestic production competitive.

International Competitiveness

In addition to incentivizing capital investments, the TCJA implemented a competitive, pro-growth hybrid territorial system to support manufacturers' efforts to invest and create jobs here at home. Combined with the lower corporate tax rate, tax reform's international provisions were designed to make it easier and more cost-effective for manufacturers to locate their headquarters, assets and intellectual property here in the United States.

These policies have had tangible effects on the decisions manufacturers make about their operations.



- **Jamison Door** recently merged with an Italian roll-up door company—and thanks to the TCJA, the combined company decided to open a new facility in Pennsylvania rather than in Italy.
- Following tax reform's passage, **Masco,** after years of building up foreign earnings, repatriated significant funds back to the U.S.—thanks to the TCJA's international tax reforms. This repatriated capital was a key driver for Masco's U.S. business growth in 2018.

> **"The international provisions for us were very helpful. We have much more flexibility now to repatriate our earnings from our foreign subsidiaries."**
> – Masco Vice President of Tax John Anstett

As part of the TCJA's new territorial tax system, the law created a 37.5% foreign-derived intangible income deduction that reduces taxes for companies that locate job-creating, export-producing IP in the U.S. This created a financial incentive for a company's intangible assets, like patents and trademarks, to be developed or located in the U.S.

FDII matters to companies whose customer base is primarily outside of the United States.

- **Gentex's** sales makeup is roughly 35% domestic and 65% foreign, which underscores the importance of policies like FDII that support U.S. exporters. The benefits from this policy have reinforced Gentex's commitment to keep manufacturing in the United States.

> **"Ninety-eight percent of our manufacturing is done in the state of Michigan ... [and] FDII ... has given us great benefit and has reinforced our commitment to keep manufacturing in the United States. ... It fueled our growth, which then in turn ... added more jobs."**
> – Gentex Director of Tax Eric Tuori

Despite its clear benefits to globally engaged companies, significant changes to the TCJA's international tax system are scheduled at the end of 2025. The FDII deduction will become less generous, shrinking from 37.5% to 21.875%. At the same time, the minimum effective tax rate under tax reform's global intangible low-taxed income regime will increase, as will the base erosion and anti-abuse tax. Taken together, these three tax increases will upset the balance established by the TCJA, resulting in increased higher taxes for globally engaged manufacturers—reducing capital availability, making it more difficult for companies to expand sales into foreign markets and reducing their incentives to locate high-value operations and IP here in the U.S.

Manufacturers interviewed highlighted the positive effects that the TCJA has had on multinational companies' U.S. investments—and the risks posed to America's global competitiveness if tax reform's international tax system undergoes significant changes at the end of 2025.

Prior to the TCJA, the U.S. had an onerous tax system and a corporate tax rate that wasn't competitive globally, which inhibited manufacturers' competitiveness. Manufacturers interviewed were clear that policymakers should move as quickly as possible in support of both domestic job creators as well as the administration's larger goal of bringing more manufacturing to the U.S.

Benefits to Family-Owned Businesses: Prosperity for the Next Generation

59% Family-owned businesses employ 59% of the private-sector workforce

83.3 Million Jobs

96% of family-owned businesses have fewer than 50 employees

Without certainty about the future of the tax policies that support investment in manufacturing in the U.S., manufacturers have begun to put investments, job creation and expansions on hold. Tax certainty is especially important for family-owned businesses, which account for 59% of the private-sector workforce.[16] Family-owned businesses are typically small—as of 2021, 95.6% had fewer than 50 employees.[17] These businesses largely benefited from tax reform's pass-through deduction and the reduction in individual tax rates—as well as the TCJA's protections from the estate tax, a critical issue for family-owned manufacturers.

The TCJA doubled the exemption threshold that protects family-owned businesses' assets from the estate tax when a loved one passes away. The increased threshold is set to expire at the end of 2025, potentially forcing manufacturers to liquidate assets to cover the estate tax—and family-owned businesses interviewed were clear about the stakes of this change.

- Now in its third generation of leadership, **True Drilling,** a contract drilling and well servicing company, argues that the estate tax rips financial resources from productive organizations—and limits the ability of family-owned businesses to thrive when the next generation's turn comes to take the wheel.

- As a family-owned manufacturer, **Click Bond** fears that family businesses will once again face the threat of having to liquidate, divest or take in outside capital—capital that may not be aligned with their strategic values or technology ambitions—to pay a tax bill when an owner passes away.
- **HORST Engineering,** a third-generation contract manufacturer of precision machined components for the aerospace and defense industries, credits the TCJA for its ability to grow its team by more than 50%. The company fears the loss of the pass-through deduction and the increased estate tax exemption threshold will harm both its family business and its employees. Without a TCJA extension, HORST will be less able to invest in its business or community.

In addition to the direct costs associated with the estate tax, family-owned businesses are concerned about the costs and burdens of tax planning, driven by the uncertainty of whether tax reform will be renewed or not. Family businesses often do not have in-house tax experts, so they are forced to pay outside consultants to understand and comply with an ever-changing tax code. Tax planning is especially important for family-owned businesses given how critical it is for them to be able to keep the business in their family.

The companies interviewed for this report work with accountants and consultants to ensure they are fully compliant with tax law, even as the rules of the road continue to change. Companies are allocating resources constantly to maximize their credits and deductions, and the impending expiration of certain policies from the TCJA has only heightened that resource burden.

- For example, **DT Engineering** incurred a 21% increase in tax planning costs in advance of potential tax changes.
- **Westminster Tool** is spending close to 100 hours a year to understand changing tax policy and is debating additional spending and expansion while waiting for clarity.
- **Advanced Superabrasives** is spending more time with its accountants to figure out how it will need to respond if the TCJA expires. These decisions are serious. Which investments in R&D or capital equipment will need to be stalled? Will the company need to eliminate jobs?

Manufacturers interviewed were hopeful that Congress would act quickly to provide much-needed tax certainty. Several emphasized that congressional action late in the year could delay investment decisions and, at the very least, make it more costly and difficult for small businesses to close their books.

Until Congress Acts, Manufacturers Will Pull Back

Given how impactful tax reform was for manufacturers across the country, it is not surprising that companies throughout the industry are apprehensive about the future as Congress debates whether, and to what extent, the TCJA will be preserved.

- **Westminster Tool** has become more risk adverse and pulled back on investments in recent years with the expiration or phasing out of certain policies in the law. The company has decided to reevaluate future investments, meaning it can't develop new product lines or hire more people as quickly as anticipated.
- **Jamison Door** has been making capital investments now in anticipation of tax reform not being extended, including a recent $1 million worth of equipment. These investments take the place of hiring additional people because the company has been forced to frontload investments when some degree of accelerated depreciation for capital equipment purchases is in place.
- Without certainty from Congress, **Marlin Steel** is stalling equipment purchases, making it harder for the company to meet customer demand and reducing its competitiveness compared to foreign companies.
- **Advanced Superabrasives** is planning on holding off investing in any capital equipment until it knows what's going on. The company is also freezing hiring—three or four positions—until there is clarity about the future of tax policy.
- The loss of full expensing has forced **Ketchie** to delay purchasing an expensive piece of machinery for its shop floor, limiting the company's ability to meet customer demand.

The lack of certainty over whether the TCJA will be extended is impacting the entire manufacturing industry.

In addition to the direct impacts they face, suppliers throughout the manufacturing supply chain like **Westminster Tool, Advanced Superabrasives** and **Masco** face the negative impact of their customers downsizing production due to a less competitive tax structure.

Many companies may soon have to make the decision to turn away business because they are uncertain about the changing tax code. Inability to meet those customers' needs will mean losing business to international competitors.

In other words, the impacts of devastating tax increases—or even just uncertainty about potential tax increases—will be felt by companies of all sizes, throughout all facets of manufacturing. And companies are already feeling these impacts now as the industry prepares for potential economic damage at the end of 2025.

What Needs to Be Done Now?

Every manufacturer interviewed for this report expressed concern about the impact to their ability to grow and thrive in the United States if crucial tax reform provisions are not extended. These manufacturers' concerns are borne out by the data: with nearly 6 million jobs on the line, the U.S. economy simply cannot afford a return to a pre-TCJA tax system.

It is clear from these interviews, and the academic research conducted in the years since the TCJA's enactment, that tax reform was indeed rocket fuel for the manufacturing economy. As a result, manufacturers kept their promises: from job creation to wage growth to R&D to capital equipment purchases, the TCJA has had a demonstrable impact across the manufacturing industry.

With this data in mind, the question for Congress is simple: should policymakers preserve, extend and make permanent pro-growth, pro-manufacturing tax policies? Or should policymakers risk the economic devastation associated with across-the-board tax increases on manufacturers and manufacturing workers?

The answer is clear: Congress must act urgently to preserve tax reform and to empower manufacturers to invest, grow, innovate and create jobs here in the U.S. The time to act is now.

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