TAX: Building on the Promise of Tax Reform

Manufacturers asked, and Congress delivered. After decades of inaction, manufacturers’ long-sought goal was achieved with the passage of tax reform, and the NAM’s five key priorities were included: a reduced tax burden on pass-through business income, a lower corporate income tax rate, key elements of a territorial tax system, retention of the R&D tax credit and adoption of incentives for capital equipment purchases. As a result, manufacturers have been paying forward the benefits. With a commitment to federal policies that build on those advances rather than roll them back, the industry will continue leading our workers, communities and country toward prosperity.

Adoption of a more competitive tax system has invigorated manufacturing in the United States. Manufacturers’ optimism reached record highs following tax reform’s passage in 2017, and this optimism has translated into action. 2018 was the best year for manufacturing job creation in the previous 21 years and the best year for manufacturing wage growth in the previous 15. Manufacturing capital spending grew 4.5% and 5.7% in 2018 and 2019, respectively.

Manufacturers are keeping their promise to use the tools provided to improve the world around them, using tax reform and regulatory certainty to grow the economy, create more jobs and improve the lives of hardworking families. But just as tax reform’s passage has helped allow companies to reinvest in their employees and operations, rolling back key pro-growth provisions would cost jobs, slow the economy and reduce investment in the United States.

A competitive tax system is critical to growth in the U.S. manufacturing base. As policymakers focus on the global supply chain, the NAM encourages the adoption of incentives that make America the destination of choice for new industrial investment: new credits that create a level economic playing field, as well as incentives for R&D and capital investment.
Like so many small manufacturers, we were able to keep our promise to hire new workers and grow our business thanks to tax reform. Tax reform’s small business relief provisions, such as the new pass-through deduction, were clearly helpful. And as a capital equipment manufacturer, we were also able to benefit from the more competitive tax code for larger corporations—we saw an increase in orders from our large customers thanks to tax reform. Their investments meant more business for us and our employees. It really has made a critical difference for our company. It made it easier to invest for the future and to weather some of the recent challenges. Keeping the tax code competitive—and making more improvements—is just so important for manufacturers’ future.”

—Lisa Winton, CEO and Co-Owner, Winton Machine Company

Nearly 9 in 10 (88.47%) manufacturing leaders say that rolling back tax reform would hurt their businesses by making it harder to expand their workforce, invest in new equipment and expand facilities.

Source: Q2 2022 Manufacturers’ Outlook Survey

A Tax Agenda for the Future Must:

- Recognize the significance of tax reform to growing the economy and encouraging U.S. investment, and build on that progress rather than roll it back.

- Improve and make permanent the pro-growth provisions in the tax code that are set to expire.

- Continually reassess the competitiveness of our tax system.

**ACTIONS FOR LEADERS TO TAKE:**

- Create new tax incentives and enhance the competitiveness of the tax code to encourage new industrial investment in the United States.

- Make permanent and expand the 20% deduction for business income earned through a pass-through entity.

- Fix provisions of the tax law that make research more expensive.

- Ensure that key incentives for capital equipment purchases remain in the tax code.

- Preserve business interest deductibility.

- Keep tax rates on businesses’ profits low and competitive.