

**TESTIMONY OF AUSTIN RAMIREZ  
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**U.S. HOUSE OF REPRESENTATIVES  
COMMITTEE ON WAYS AND MEANS**

**“EXPANDING ON THE SUCCESS OF THE 2017 TAX RELIEF TO HELP HARDWORKING AMERICANS”**

**APRIL 11, 2024**

Good afternoon Chairman Smith, Ranking Member Neal and members of the committee. My name is Austin Ramirez, and I am the President and CEO of Husco. I appreciate the opportunity to testify today on how Congress can and *should* build on the success of the Tax Cuts and Jobs Act to support the growth of small manufacturers in the United States.

Husco is a privately held, family-owned business based in Waukesha, Wisconsin. We are a critical part of the manufacturing supply chain—we produce hydraulic and electro-mechanical components that are used in both passenger cars and off-highway vehicles. As vehicle technology has continued to evolve, including trends toward electrification and automation, Husco’s proprietary products have remained vital enablers of safe, productive and efficient vehicles.

At Husco, we employ just over 1,600 workers, a large portion of which are at our home facilities in Waukesha and Whitewater, Wisconsin. We are an economic driver for our local community, and I am incredibly proud of our ability to provide family-supporting careers to people from all walks of life. In the 77 years that we’ve been headquartered in Waukesha, our company has seen countless first jobs, career milestones, retirement parties and more.

We’ve also sought to be a leader in helping others access the benefits of American opportunity. We were honored to hire a group of Afghan refugees fleeing the Taliban in 2016; not only were we able to provide jobs for these families, but we also did our best to make them feel at home in our workplace and our community. From translation services to training opportunities to dedicated spaces for daily prayers, our refugee program—which has also welcomed Burmese refugees—has been embraced by our local employees and has built and strengthened our new employees’ ties to America.

We take our role as a pillar of the community seriously. Husco is the top corporate philanthropic donor in all of Wisconsin—far outpacing even our larger peers operating in the state. Our success in business allowed us to fund and build a new K-12 school in Milwaukee that has grown into an education leader in our state. Last year, St. Augustine Preparatory Academy—which we call “Aug Prep”—was rated the top publicly funded K-12 school in the state. Nearly 90% of Aug Prep’s students qualify for free or reduced-price lunch, and we are proud to play our part in giving them an opportunity to flourish and become the character-driven leaders that our community needs.

Husco's values are a reflection of my own, uniquely American story. My dad is originally from Puerto Rico; my grandparents brought him to Miami, Florida as a six-year-old, chasing the American dream. Dad—who everyone calls Gus—excelled as a student and an athlete in the Coral Gables public school system and eventually achieved a master's degree in aerospace engineering from Georgia Tech and an MBA from Harvard. He moved to Wisconsin to work at Husco in the early 1980s. Growing up in the Milwaukee suburbs, my parents made sure that my sisters and I learned the value of a good education and a hard day's work.

At the time, Husco was one division of a larger conglomerate, mostly manufacturing components that were used by the other business lines within the company. In 1985, my dad took a leap of faith and led a management buyout to purchase Husco and run it as a standalone company. One of my earliest childhood memories is hearing my mother explain to our neighbor that we might be living on the street because they had mortgaged the house (and drained our college funds) to raise the capital to support Gus's vision for an independent Husco.

I interned at Husco in high school and college, mopping floors and painting walls. I came back home to work at the company full-time in 2003. By 2011, Gus decided the time was right to transition leadership of the company—and I stepped in as CEO. Under Ramirez family leadership, Husco's annual revenues grew from \$20 million in 1985 to more than \$500 million today. I'm humbled to be the steward of this proud legacy, and I work every day to continue improving the lives of Husco families and building an enterprise that all our stakeholders are proud to be a part of.

I truly believe that Husco's story—and the story of those of us who earn our living at Husco—are embodiments of the American dream. But the American dream can be tempered, for better or worse, by American *reality*. Laws, regulations, taxes, trade: the decisions that all of you make here in these historic rooms and hallowed halls have a direct, concrete impact on Husco's ability to create jobs and plan for the future.

This is especially true when it comes to taxes. A pro-growth tax code frees up capital that can be used for expansion, incentivizes job-creating investments like research and development and ensures that American businesses can compete on the world stage. An inefficient and unworkable tax code does just the opposite—hampering our ability to create jobs, limiting our investment opportunities and putting the U.S. economy at a competitive disadvantage.

Looking back, my life can be broken down into a three-part story: as a kid, my parents taught me the importance of hard work; as a teenager and young adult, I watched my dad build Husco from a small business into an industry leader; as Husco CEO, I've been able to build on his legacy. Congress is now in the middle of its own three-part story—the story of tax reform.

### **Part 1: The Tax Cuts and Jobs Act**

The Tax Cuts and Jobs Act was the first act of this trilogy: historic tax reform, comprehensively updating the code for the first time since 1986. TCJA is the perfect example of what happens when Congress focuses on removing obstacles and putting the right incentives in place.

Husco saw the benefits of tax reform right away. TCJA reduced our tax burdens by lowering the individual tax rates that dictate our tax obligations as a pass-through. It also created the new 20% pass-through deduction, which leveled our playing field with our peers organized as corporations. As a family-owned business, we also benefit from the increase in the estate tax exemption as we prepare for the next generation to lead the company one day in the future. Each of these changes has increased the capital that Husco has available to invest in our business and our workers.

Following TCJA's passage, Husco was able to complete the most significant renovation of our Waukesha, Wisconsin headquarters in 70 years. We invested nearly \$50 million to modernize our office, renovate our shop floor and install new capital equipment—which has enabled Husco to add nearly \$150 million to our top line since 2017.

Our customers and suppliers also felt the benefits of TCJA. Many of Husco's customers are organized as corporations, so the move to a globally competitive corporate rate allowed them to expand production and ultimately purchase more components from companies like Husco. Virtually all manufacturers benefited from 100% accelerated depreciation given the importance of capital equipment purchases in our industry. Without the benefit of accelerated depreciation, our capital investments in 2018 and 2019 would have been smaller and spread out over many years, resulting in a lower growth rate for Husco. Similarly, manufacturers' reliance on capital equipment ("depreciable assets" in accounting terms) meant that TCJA's interest deductibility standard—based on a company's earnings before interest, taxes, *depreciation* and amortization—allowed us the flexibility to debt finance these significant investments. TCJA also maintained the U.S.'s historic policy of immediate R&D expensing—an absolutely critical mechanism for ensuring Husco and other manufacturers can invest in groundbreaking and job-creating research.

In short, tax reform was a shot in the arm for manufacturing in the U.S. A pro-growth, pro-competitive tax code means that manufacturers like Husco can continue leading American economic growth, creating jobs and supporting our local communities.

## **Part 2: The Tax Relief for American Families and Workers Act**

We are now in the second act of the story of tax reform. Critical TCJA provisions have begun expiring over the past two years:

- As of 2022, companies are now required to amortize their R&D expenses rather than expense them in the year incurred. This reversal of more than 70 years of U.S. R&D policy has had a detrimental impact on Husco's ability to innovate. Husco's business model is built on the premise of designing and manufacturing customized, proprietary products for our customers. This requires us to make significant, ongoing investments in R&D. Husco's inability to expense these costs since 2022 has cost us more than \$20 million in liquidity, wiping out a large portion of the TCJA benefits and creating a disincentive to invest in innovation. The global competitiveness of the American manufacturing sector is based on our ability to deliver value through innovation in both product design and manufacturing process technology; requiring amortization of R&D expenses puts our primary competitive advantage at risk.

- Also in 2022, companies' ability to take a tax deduction for their interest payments on business loans was severely limited. The interest deductibility calculation is now based on our EBIT rather than our EBITDA, specifically excluding the depreciation and amortization expenses so common for manufacturers from the interest deductibility formula. This change has had a disproportionate impact on companies like Husco, making it more difficult and more costly to finance new projects—effectively punishing us for making long-term investments.
- And in 2023, 100% accelerated depreciation began to phase down. We are now only able to expense 60% of the value of capital equipment when it's purchased—and first-year expensing will sunset entirely in 2027. This phase-down is devastating for capital-intensive industries like manufacturing; for Husco, it will result in smaller investments, ultimately slowing our growth.

Fortunately, the second act of this story may yet have a happy ending. The House has passed commonsense, bipartisan legislation—the Tax Relief for American Families and Workers Act—to reverse these damaging expirations. The Ways and Means Committee has been the leader in this vital effort. I know that a 40-3 vote is almost unheard of in today's partisan environment, but I want to extend my thanks to each and every one of you for your support of this important bill, and to Chairman Smith for his leadership.

I hope that the Senate can follow in your footsteps and pass the Tax Relief for American Families and Workers Act into law. Disincentivizing R&D and making capital investments more expensive directly harms manufacturers like Husco, limiting our ability to support our workers and drive the American economy. On the other hand, enacting the Tax Relief for American Families and Workers Act will remove these barriers to growth and unlock manufacturing potential across the country.

### **Part 3: 2025 and Beyond**

Even if the Tax Relief for American Families and Workers Act makes it to President Biden's desk, Congress's work is not yet done. We are rapidly approaching act three of the tax reform trilogy: the expiration of the vast majority of TCJA's small business provisions at the end of 2025.

In just 20 months, small manufacturers in America will experience a raft of tax increases that threaten to undo much of the progress made under tax reform:

- All but one of the individual tax rates will revert back to their pre-TCJA levels. These tax increases will hit every American making more than \$11,000 per year. This includes pass-through businesses that pay tax at the individual rates. Companies like Husco will have *more* of our income subject to a *higher* rate of tax, as the tax brackets will decrease at the same time the tax rates increase. This will have a direct impact on the capital we have available to pay our employees and invest for the future.
- Additionally, the 20% pass-through deduction will expire completely. This deduction is critical to protecting business income from individual taxation—especially given that the individual rates will increase at the same time the deduction expires. Without the pass-through deduction, companies like Husco will face a significant tax hike. Many small

manufacturers are organized as pass-throughs, so the loss of this deduction will be felt throughout the industry.

- TCJA's increase in the estate tax exemption limit also will sunset, exposing more family-owned businesses' assets to the estate tax. I am proud that Husco is a second-generation family business, and we hope to keep the company in the family for generations to come. But the estate tax hits hard in manufacturing, where most of our value is tied up in illiquid assets like capital equipment. Increasing the estate tax burden thus makes it much more difficult to pass our business on to the next generation.
- Finally, even if Congress passes the Tax Relief for American Families and Workers Act, immediate R&D expensing, pro-growth interest deductibility and accelerated depreciation will still be on the chopping block at the end of next year. As I've made clear, these three incentives are critical for manufacturing growth in America, so retaining them at the end of 2025 should continue to be a congressional priority.

Congress simply cannot allow these provisions to expire. We have already seen the economic impact of the TCJA expirations that took effect in 2022 and 2023—adding even more economic damage in 2026 would be exponentially worse. At Husco, the loss of TCJA's small business provisions would severely hamper our growth trajectory. The combination of an increased tax rate and the loss of the pass-through deduction would be especially damaging, tilting the playing field against Husco and other pass-through manufacturers.

These tax increases are just the ones with the most significant, most direct effects on Husco. Congress also will have to wrestle with a range of corporate and international provisions that will impact manufacturers throughout the supply chain. Along with preserving critical small business incentives, Congress must protect the U.S.'s globally competitive corporate rate and the international tax provisions that support TCJA's territorial tax system.

It is no exaggeration to say that 2025 will be a tax reckoning for Congress: an opportunity to write the end of the tax reform story. If Congress allows taxes on manufacturers to increase, it will reverse our progress from the past seven years and undermine America's economic leadership on the world stage. However, Congress can craft a happier ending—by extending critical provisions, making TCJA permanent and supporting job creation and growth at manufacturers of all sizes.

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Tax reform is a uniquely American story. Policymakers saw that the tax code was out of date, harming manufacturers' ability to compete on the world stage—and you came together to do something about it. TCJA was a historic moment: legislation three decades in the making, a giant step toward a more long-term competitive tax code for the United States. But it was only the first step.

Today, that progress is at risk. If Congress fails to pass the Tax Relief for American Families and Workers Act, companies like Husco will have a more difficult time investing in groundbreaking research and job-creating capital projects. And the end of 2025 promises even more damaging tax increases if Congress doesn't act.

Manufacturers in America can compete and win against anyone in the world. Barriers like bad tax policy force us to swim upstream against the current; rather than stymieing our growth, Congress should ensure manufacturers have a level playing field that protects our intellectual property, fights back against foreign state-subsidized competitors, improves our ability to fight back against foreign market-distorting practices and gives us a competitive, pro-growth tax and regulatory environment.

I have faith that Congress will do the right thing. I want to thank you again for allowing me to testify today about why Congress *must* do the right thing, both now and in 2025. Husco, and manufacturers across the country, stand ready to help you write the perfect ending to the tax reform story.