MESSAGE TO CONGRESS:

We need tax reform for all manufacturers – C-Corporation and Pass-through businesses. The only way to grow the economy is through a simplified code that encourages domestic investment with a globally competitive rate.

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The U.S. continues to have the highest business tax rate in the developed world, a rate which is 15% above that in China and 10% more than our nine largest trading partners. American manufacturers need a simplified, stable, and globally competitive tax code that treats all businesses equally, whether a C-Corporation or pass-through entity such as an S-Corporation, LLC, or ESOP.

A recent survey showed that 75% of One Voice members are pass-throughs paying at the individual rate. Nationwide, these types of businesses account for 54% of all jobs in the United States and 81% of all manufacturers. This means 8 in 10 manufacturing businesses pay taxes at the individual rate, the total of which reaches 44% for many. Tax reform only for C-Corps, leaves virtually all small businesses behind to pay the much higher rate.

Any attempts to lower the rate for C-Corps should also include a reduction for business income by pass-throughs as well. Smaller, family-owned companies in particular are structured as S-Corps due to the need to pass the business down to the next generation without incurring severe tax penalties. Clearly, a rate reduction for C-Corps will help all industries as many larger corporations are suppliers and customers for pass-throughs; but to truly grow the economy, we need to improve the global competitiveness of all manufacturers.

Congress should also build upon its important work in December 2015 making permanent the R&D Tax Credit and Section 179 Equipment Expensing, while extending Bonus Depreciation through 2019. For the first time in decades, Congress gave manufacturers the stability they need in the tax code to plan capital expenditures. Next, Congress should act on comprehensive tax reform and enhance the R&D to 20%, continue to grow 179, and make permanent a large equipment recovery provision such as Bonus Depreciation.

To improve their global competitiveness and increase production and job creation, One Voice manufacturers report using the following:

- Section 179 Expensing (92% use)
- Bonus Depreciation (91%)
- R&D Tax Credit (55%)
- Section 199 Domestic Production Activity Deduction (45%)
- Last-in-First-Out, LIFO (37%)
- IC-DISC when exporting (14%)