Tax Reform for <u>All</u> Companies

Don't Leave Small Businesses Paying the Bill

MESSAGE TO CONGRESS:

We need tax reform for <u>all</u> 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.

The U.S. continues to have the **<u>highest business tax rate</u>** 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 **<u>75% of One Voice members are pass-throughs</u>** paying at the individual rate. Nationwide, these types of businesses account for 54% of all jobs in the United States and **<u>81% of all manufacturers.</u>** This means 8 in 10 manufacturing businesses pay taxes at the individual rate, the total of which **<u>reaches 44%</u>** for many. Tax reform only for C-Corporations, 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 competiveness 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, **<u>Congress gave manufacturers the stability they need in the tax code</u>** 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%)

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