Comprehensive Tax Reform Must Increase The Competitiveness of U.S. Manufacturers and Treat All Manufacturers Alike.

FIA applauds the U.S. House of Representatives Committee on Ways and Means for its efforts to develop comprehensive tax reform, and supports the basic goals set forth by Ways and Means Chairman Dave Camp (R-MI) of lowering the top rate for all taxpayers to no more than 25 percent while broadening the overall tax base to maintain current revenue levels. However, that support is based on the assumption that all manufacturers will be treated alike under the new system.

Modern forging is both capital-intensive and energy-intensive, yet many U.S. forging companies are small or medium sized enterprises, often family-owned or closely held so taxes are paid by their owners at individual rates.

According to a survey of FIA members in 2012:

- 56% are Pass Through Entities (S-Corp, LLC, LLP)
- 44% are Corporations
- 50% use R&D credit
- 56% use Section 199 Domestic Production Activities Deduction
- 81% use Section 179 Expensing for Equipment
- 88% use Bonus (Accelerated) Depreciation

These statistics demonstrate the significance of equal treatment for all manufacturers under any tax reform proposal. For example, if tax reform were applied only to the “corporate” structure, more than half of FIA’s members would receive no benefit from lower tax rates, and if those lower rates were “financed” by the elimination or reduction of current deductions and credits that they utilize heavily, they would likely see their total taxes rise substantially.

*FIA believes it is critically important that any comprehensive tax reform legislation be crafted to ensure that all manufacturers are treated alike.*

Repeal of Last In-First Out (LIFO) Accounting Method Is Not Part of Tax Reform

For the past several years, the President has proposed retroactive repeal of LIFO as part of his budget. Congress must recognize that repeal of the LIFO accounting method is NOT part of tax reform. Many manufacturers, including approximately 38% of surveyedforgers, utilize this method, which has been part of the U.S. tax code since 1939, because it is the most accurate method of accounting for businesses that maintain large inventories of raw materials and work-in-progress. Repeal of LIFO and a requirement that LIFO reserves be repaid could bankrupt some small companies that have been using LIFO for years, and do nothing to reform the tax system. We urge Congress to reject this approach in considering comprehensive tax reform.