AFS

Support Tax Reform that Increases Metalcasting Competitiveness

Comprehensive tax reform is under serious discussion for the first time in many years in Washington, D.C. Leaders of the congressional tax-writing committees are in the process of scrutinizing which tax deductions and credits could be eliminated in order to simplify and lower the overall rate for all taxpayers.

Metalcasters utilize a variety of tax credits and deductions to relieve their tax burden, lower their effective rate, and improve their global competitiveness. In fact, metalcasters claim many of the following tax incentives: Section 179 Expensing; Section 199 Domestic Production; Bonus Depreciation; and R&D Tax Credit. The elimination of these valuable credits and deductions runs the risk of shifting tax burdens among different industry sectors.

Continuing or enhancing accelerated depreciation would increase cash flow for our members and provide a strong incentive to undertake new capital expenditures. As a highly capital intensive industry sector, tax incentives like these are vital to help level the playing field for metalcasters. Furthermore, the elimination of the last-in, first-out (LIFO) method of inventory accounting would have a detrimental effect on metalcasters. It would result in many firms paying a one-time tax on their LIFO reserve for inventory on hand.

The Section 199 Domestic Production Activities Deduction is one of the few provisions in the tax code which directly incentivizes manufacturing in America. A large portion of metalcasters claim Section 199, which amounts to an effective three percent rate reduction for most domestic manufacturers.

Other tax ideas being discussed include a potential carbon tax, which is seen by its supporters as a revenue-raiser for the government and a means to reduce the use of fossil fuels. AFS has long been opposed to such a tax since metalcasting is among the most energy intensive industries in the country.

Metalcasters and other U.S.-based manufacturers should not disproportionately bear the cost of paying for tax reform. A lower tax rate alone will not help U.S. metalcasters facing intense foreign competition and the need to continually reinvest in our facilities in order to remain competitive.

Because of the critical importance of manufacturing to our nation's economy, the best way to strengthen the tax code is through a reduction in both the corporate and individual tax rates, combined with the retention of several growth oriented provisions such as accelerated depreciation, the LIFO inventory accounting method, Section 199 manufacturing deduction, Section 179 expensing and R&D tax credit.

Message to Congress

The American Foundry Society (AFS) supports comprehensive reform of our tax code, which encourages growth and capital investment for U.S. manufacturers.

The Metalcasting Industry supports the following key principles for tax reform:

- **Reduce Both the Corporate Tax Rate and Individual Tax Rates for Manufacturers Organized as Flow-Through or Pass-Through Entities.**
  - Many metalcasters are small to medium-sized businesses that are often organized as "S" corporations or other forms of "pass-through" entities that are taxed at individual rates.
- **Preserve & Enhance Section 179, Section 199 Manufacturing Deduction, Accelerated Depreciation, Bonus Depreciation and Other Tax Incentives for Capital Investments.**
- **Preserve Last-In, First-Out (LIFO) Accounting Method.**
- **Strengthen and Permanently Extend the R&D Tax Credit.**
- **Keep the $5 million Estate Tax Exemption.**

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