

# ***Made in the USA Reports***

**A Publication of the Made in the USA Foundation**

**Vol. 27 No. 8 © Made in the USA Foundation--August, 2015**

## **Manufacturing Tax of Zero (MTZ) and Other Tax Reforms**

By Joel D. Joseph, Chairman

Our corporate income tax system is a bloated, complicated mess. With their lower corporate tax rates, our trading partners are eating our lunch and taking away our jobs. For example, most of our pharmaceutical manufacturers, including Pfizer, the world's largest drug maker, have set up shop in Ireland to avoid paying U.S. taxes. This is solely because Ireland charges a corporate tax rate of only 12.5%.

President Obama's budget for fiscal year 2016 calls for a cut in the corporate tax rate from 35 to 28 percent (with a special rate of 25 percent for manufacturing). European countries have an average corporate income tax of 23 percent. I propose a 28 percent corporate tax rate, with a zero (0%) tax rate for manufacturing companies, and a onetime amnesty rate to repatriate earnings held offshore at a 14% rate.

U.S. corporations are sitting on trillions of U.S. dollars held in offshore accounts.

According to Bloomberg News, Microsoft, Apple, Google and five other tech firms now account for more than one fifth of the \$2.10 trillion in profits that U.S. companies are holding overseas. Under my tax proposal, companies could bring home this \$2 plus trillion pie, invest this money in new factories and businesses, and the U.S. Treasury would reap a \$300 billion bonus.

### **The Real Corporate Tax Rate**

In 2010, the last time the Government Accountability Office measured the rate, U.S. Companies paid an average effective federal tax rate of 12.6 %. That rate compares with the nominal corporate federal tax rate of 35%; those corporate accountants appear to have done their jobs well in exploiting the loopholes in our current tax code. Amazingly, General Electric, despite billions of dollars in profits, is noteworthy for rarely paying any income tax at all.

Corporations now evade U.S. taxes by issuing executive stock options, using the oil depletion allowances, in addition to taking advantage of capital gains rates and other loopholes. Many of Silicon Valley's newest star companies are able to shelter a large portion of their profits as a result of using executive stock options. Citizens for Tax Justice estimated that a dozen technology companies, including Amazon, Twitter, LinkedIn and Priceline, "stand to eliminate all income taxes on the next \$11.4 billion they earn - giving these companies \$4 billion in tax cuts."

Amazon's combined federal and state effective tax rate was just 9.4%. Without this ridiculous stock option tax break, the combined tax rate would have been 40.4 percent.

Overall, the corporate taxes now contribute only about 10 percent of total federal revenues. Under my proposal, corporations would pay more money to the federal treasury and thus create more jobs. On total federal tax revenues of \$3 trillion a year, corporations now contribute only about \$300 billion. Individual citizens pay the bulk of federal tax revenues.

### **Eliminate Loopholes**

Manufacturing is the primary area where the United States has lost jobs over the past twenty years. Manufacturing also creates more jobs than other businesses because it creates jobs with suppliers and service providers needed to support the manufacturing process as well as buildings and equipment necessary to manufacture products.

If we lower the corporate tax rate to 28% and eliminate all loopholes (no investment tax credits, no oil depletion allowance, etc.) we can institute a tax on manufacturers of zero (0%) percent. This would be based on the amount of U.S. content in the products manufactured.

Not all manufacturers are the same. This zero tax rate would only apply to products made with 100% U.S. content. For example, if a manufacturer assembles a product in the U.S. with 50% U.S. content, the manufacturer would pay an income tax of 50% of the 28% rate or 14%. However, if the manufacturer had 100% U.S. content, its tax rate would be zero.

This new manufacturing tax rate would serve to incentivize manufacturers to make their products here in the United States. It would help to create millions of jobs in the USA by bringing manufacturing back to New York, Illinois, California, Ohio, Michigan and every other state.

## MADE IN THE USA HALL OF FAME WINNERS FOR 2015

(The Made in the USA Foundation announced 22 winners of the sixth annual Made in the USA Hall of Fame Awards. The winners are:

### **3D Systems**

**Cakebread Winery**

**Civilianaire Apparel**

**Crescent Tools**

**Faribault Woolen Mill**

**Gibson Guitars**

**Goodyear Tires**

**Homer Laughlin China Company**

**Libbey Glass**

**Lifetime Products**

**Lincoln MKC**

**Marine Layer**

**New Flyer/North American Bus Industries**

**Nucor Steel**

**Red Wing Shoe Company**

**San Antonio Shoemakers**

**Sauvage Swimwear**

**Stags Leap Winery**

**Stetson Hat Company**

**Tesla**

**Titleist Golf Balls**

**Vaughan Bassett Furniture Company**

### **3D Printers**

**Wine**

**Apparel**

**Hand Tools**

**Textiles**

**Musical Instruments**

**Tires**

**China**

**Glass**

**Sporting Goods**

**Luxury Automobiles**

**Apparel**

**Buses**

**Steel**

**Shoes**

**Shoes**

**Apparel**

**Wine**

**Hats**

**SUVs**

**Golf**

**Furniture**

3D Systems is leading the three-dimensional printing industry. Cakebread Winery is an award-winning Napa wine producer. Civilianaire is a trend-setting California fashion company.

Crescent Tools, founded in 1907, stills makes very high quality hand tools in the United States. On his famous 1927 solo flight across the Atlantic, Charles Lindbergh said that he took only "gasoline, sandwiches, a bottle of water, and a Crescent wrench and pliers."

Founded on the banks of the Cannon River in Faribault, MN, the Faribault Woolen Mill is a living testament to American craftsmanship. Founded in 1865, the year the Civil War ended, Faribault woolens are renowned for their comfort and quality. From providing woolen blankets for pioneers heading west, to comforting our troops through two world wars, Faribault woolens are woven into American history.

In 1935, shortly after the electric guitar was invented, Gibson set the industry standard for design. Gibson introduced its first electric solid-body in 1952, enlisting the world-famous guitarist/inventor Les Paul.

Goodyear Tire and Rubber Company started in 1898 in Akron, Ohio. In the winter of 1839, Charles Goodyear accidentally discovered that the addition of heat and sulfur alters the consistency of rubber, later to be known as the vulcanization process. Goodyear tires were used on the Model T and are on many new cars today.

The Homer Laughlin China Company began producing pottery dishes in 1871. The company began producing the popular and colorful Fiesta line of dinnerware in 1936.

Libbey Glass was started in 1818 in East Cambridge, Massachusetts, as the New England Glass Company. In 1888, facing growing competition, Edward Libbey moved the company to Toledo, Ohio. The world's first machine-made stemware was produced on Libbey equipment and a short time later Libbey developed its heat-treated process for glassware used in hotels and restaurants.

In 1972, Lifetime Product's founder, Barry Mower, set out to make a sturdier basketball pole for his backyard. He purchased a small length of heavy-duty used pipe, a piece of plywood, and a basketball rim, and built his own basketball standard. Now Lifetime Products Inc. is the world's leading manufacturer of home basketball equipment. They also manufacture other sports equipment, including kayaks and paddleboards.

The all-new 2015 Lincoln MKC rivals more expensive luxury SUVs with its high-end interior, crisp handling and potent standard engine, automotive writers say. Test drivers report the all-new 2015 Lincoln MKC reaches highway speeds easily with its standard turbocharged four-cylinder engine. The 2015 MKC gets an EPA-estimated 20/29 mpg city/highway. Made in Louisville, Kentucky.

Marine Layer, founded by Mike Natenshon in 2009 after his girlfriend threw out one of his perfectly washed and worn old t-shirts, the San Francisco company sells new shirts that look and feel like old staples. To maximize softness, he blended cotton with micromodal, a light-weight fabric made from recycled Beech Wood that has silkier properties and is typically used for intimates or women's loungewear. Marine Layer uses extra-thin yarn to boost the thread count and pre-washed each knit to break it in. By doing so, shrinkage is minimized and softness enhanced. Factories in Los Angeles and San Francisco.

New Flyer/North American Bus Industries was founded in 1930. New Flyer established a renowned reputation for innovation in design through the development of an articulated low-floor bus, hydrogen fuel cell powered buses and new features like programmable logic controlled electrical systems. In 2002, New Flyer secured an order to build North America's first fleet of 218 articulated hybrid buses for King County Metro in Seattle, establishing New Flyer as the leader in hybrid bus production. In 2013, New Flyer announced the acquisition of North American Bus Industries, Inc. (NABI). NABI manufactures articulated buses in Alabama. In 2014, New Flyer unveiled the addition of a zero-emission battery-electric propulsion system to its commercially available lineup of Xcelsior® transit bus models. New Flyer announced that it is developing the first North American designed and built zero-emission 60-foot battery-electric/fuel cell bus.

In 1905, Ransom E. Olds, creator of the Oldsmobile, had a dispute with stockholders and left his company. He soon formed REO Motor Company, which evolved into the Nuclear Corporation of America and ultimately, Nucor. Nucor's first mini mill, located in Darlington, South Carolina, went into production. In 1989, Nucor ushered in a new era of steelmaking as thin-slab technology goes on-line at the new mini mill in Crawfordsville, Indiana. It is the first mini mill in the world to make quality flat rolled steel using this technology. In 2002, another world first: Nucor's Castrip® micromill went on-line in Crawfordsville, Indiana. The Castrip® process consumes 95% less energy and emits less than one-tenth the greenhouse gases. Nucor's \$750 million direct-reduced iron (DRI) plant in St. James Parish, Louisiana became operational in 2013.

Charles Beckman envisioned a shoe that was also comfortable enough for the hardworking people who wore them. In 1905, he opened Red Wing Shoes, and thus a new standard for excellence was born. Redwing shoes and boots consistently perform in environments spanning from the Mideast oil fields to the Midwest cornfields. Redwing, Minnesota. San Antonio Shoemakers (SAS) is an American shoe manufacturer that was founded in 1976 in San Antonio, Texas. The company specializes in handcrafted men's shoes, women's shoes, and handbags. They are a family-owned company which manufactures their shoes in Texas.

Since 1985, Simon & Elizabeth Southwood have been growing a swimwear culture known simply as Sauvage. Elizabeth was born to a seamstress, and has never looked back at her passion for apparel design. She and her boyfriend at the time, Simon Southwood, had a friend who needed some swim trunks for an upcoming vacation. Elizabeth offered to make him a swimsuit solely for the joy of making it, however he insisted on purchasing it. In that moment, Simon had an epiphany, seeing a business opportunity to showcase Elizabeth's inspirations, and a men's swimwear line was born. Selling a small new men's line in Southern California quickly blossomed into a women's line being added. A family business since its inception, Sauvage is still headed by Simon & Elizabeth in San Diego.

Stags Leap won the Judgment of Paris in 1976 with 1973 Stag's Leap Wine Cellars S.L.V.

Cabernet Sauvignon. Today, the wines of Stag's Leap Wine Cellars continue to command the respect and admiration of wine aficionados the world over, proving beyond a doubt that the Paris victory was no accident, and that Napa Valley wines age as gracefully as the beautiful and time-honored wines of Bordeaux.

John B. Stetson Hat Company was founded in 1865. The Stetson factory in Garland, Texas is one of the largest in the country. The original "Boss of the Plains," manufactured by Stetson in 1865, was flat-brimmed, had a straight sided crown, with rounded corners. These light-weight, waterproof hats, are natural in color, with four-inch crowns and brims. J.B. Stetson was the first to market the "Boss of the Plains" to cowboys, and it has remained the universal image of the American West.

The 2016 Tesla Model X is a midsize SUV that utilizes many of the same components as Tesla's successful Model S sedan, but packages them in a more family-friendly body style. Unique gullwing-style rear doors (Tesla calls them "falcon doors") use dual hinges to reduce opening and closing arcs in tight spaces and allow freer access to the rear seats. The Model X's all-wheel drive system uses two motors (one for the front and the other for the rear wheels), unlike conventional AWD systems which only have one source of power. Made in Fremont, California.

Titleist golf balls are used by more members of the Professional Golfers Association than any other ball. The Titleist Pro V1 is the overwhelming choice among touring professionals around the world. At the start of the 2010 FedEx Cup Playoffs, the Pro V1 or Pro V1x won 89 events around the world, the next highest competitor had 19 wins.

Vaughan Bassett Furniture Company, based in Galax, Virginia, manufactures bedroom furniture. In 1919, B.C. Vaughan and J.D. Bassett, Sr., first founded the company. Employing about 700 people in factories based in Galax, Virginia, and Elkin, North Carolina. **All** of Vaughan Bassett's furniture is crafted in the United States. Vaughan-Bassett is the largest manufacturer of wooden adult bedroom furniture in the United States. Vaughn Bassett led the successful charge in the past decade to impose countervailing duties on Chinese furniture that was dumped in America.