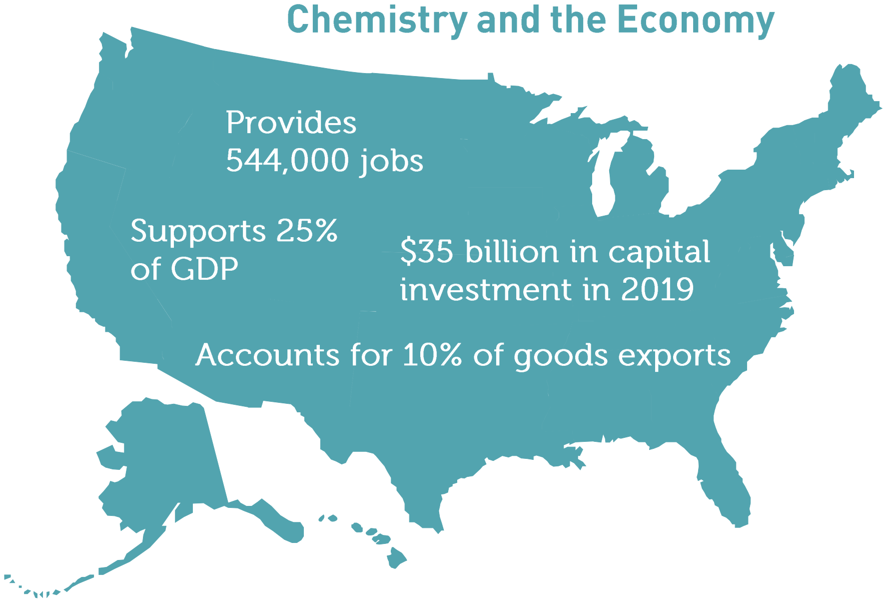
U.S. MANUFACTURING GROWTH AND THE TAX CODE

American Chemistry Council

Chemistry and the Economy



ACC supports an internationally competitive, stable, and fair corporate tax system that promotes U.S. economic growth and job creation.

CORPORATE RATE

Prior to the Tax Cuts and Jobs Act (TCJA), the U.S. corporate tax rate was 35% - among the highest of OECD countries. The TCJA lowered the rate to 21%. In reducing the corporate rate, Congress sought to encourage investment in the United States. Keeping the U.S. corporate rate competitive is critical.

SECTION 163(j)

Section 163(j) limited the deductibility of interest expense by businesses. The TCJA significantly enlarged the scope and application of 163(j). ACC members were adversely affected by the change, and in 2022, the harm will be even greater due to a change from an EBITDA to an EBIT-based formula. ACC supports the elimination of changes that will occur in 2022.

BEAT TAX

The Base Erosion and Anti-Abuse Tax (BEAT) is a new tax that was enacted as part of the TCJA. It functions like an alternative minimum tax, intended to ensure that tax is paid on U.S. corporations making large amounts of "base eroding" payments. These generally include payments to or purchases from related foreign parties. The tax is 5% for 2018, 10% for tax years 2019-2025, and 25% for years after 2025. For ACC members that are affected, the impact is significant. ACC supports reducing the BEAT liability, including legislation that would keep rates low.

GILTI

Global Intangible Low-Taxed Income (GILTI) was enacted as part of the TCJA. It aims to prevent tax base erosion from the transfer of intangible, income-producing assets (e.g., patents) to subsidiaries in low-tax countries. While intended to target low-tax income, GILTI's interaction with existing law results in an increased burden on foreign earnings that already face high levels of taxation. Policymakers should ensure that the design of GILTI matches its purpose of creating a minimum level of taxation rather than using it to return to an uncompetitive worldwide tax system. ACC opposes changes that would amplify the tax burden or administrative complexity of GILTI.

LOWER CORPORATE RATES BENEFIT THE U.S. ECONOMY

	PROJECTED BENEFITS
GDP	1.7% larger economy
WAGES	1.5% higher wages
EMPLOYMENT	339,000 additional full-time equivalent jobs
	Source: The Tax Foundation

SECTION 174

Section 174 of the U.S. Tax Code currently allows companies to immediately deduct research and experimental (R&E) expenditures. However, this provision changes after 2021 and will require companies to amortize their R&E expenditures over five years. R&E investments are more important than ever as U.S. companies strive to keep pace with the continuing evolution of markets and competition. For U.S.-based entities to remain competitive globally, they must have the ability to immediately deduct their R&E spend.

700 Second St., NE Washington, DC 20002 | **202-249-7000**