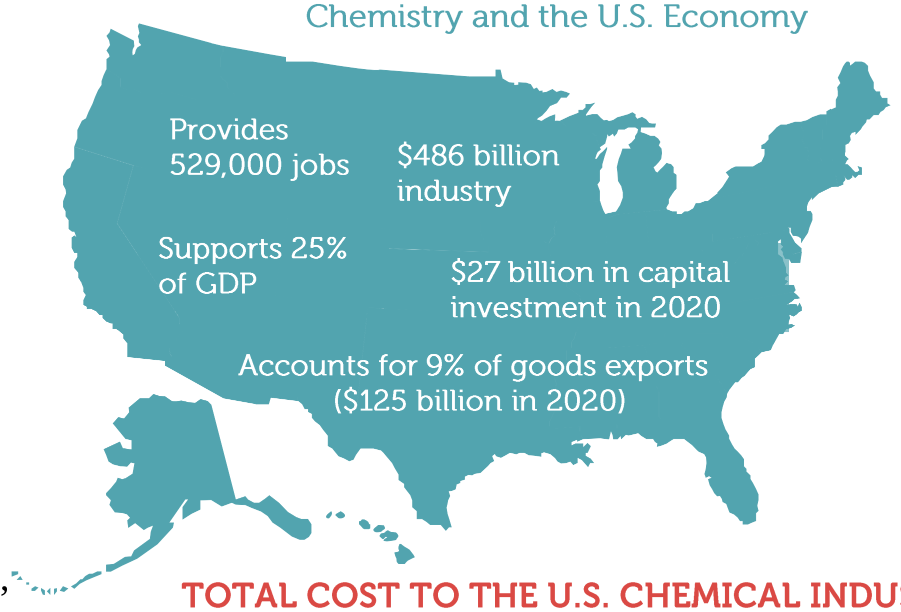
New Taxes in Budget Reconciliation Plan Would Cost U.S. Manufacturing

American Chemistry Council

Chemistry and the U.S. Economy



BACKGROUND

Congress is considering a host of new taxes as part of budget reconciliation and infrastructure legislation. These taxes would impose massive additional costs on U.S. chemical manufacturers and their customers at a time of rising inflation, stretched supply chains, and economic recovery. <u>Congress must not penalize an industry that's a "bright spot" in our economy – investing, growing, and hiring in the United States.</u>

TOTAL COST TO THE U.S. CHEMICAL INDUSTRY OVER 10 YEARS: $238 BILLION!

PLASTIC RESIN TAX

The REDUCE Act (S. 2645) would impose a $0.20/pound excise tax on virgin plastic resin, then allow manufacturers of plastics that are not "single use" to receive a rebate. It also puts border mechanisms in place. **This new tax would reduce sales to U.S. plastic resin manufacturers by about $125 billion over ten years,** or $1.25 billion per year.

SUPERFUND TAX

The bipartisan infrastructure legislation passed by the U.S. Senate includes a $14.5 billion tax on 42 chemicals, critical minerals, and metallic elements – materials that serve as building blocks for U.S. manufacturing. **The new tax will cost the U.S. chemical industry an estimated $1.2 billion per year** and could create conditions conducive to shutdowns for 44 plants producing materials subject to the tax while giving an unfair advantage to foreign producers such as China that are not subject to the tax.

METHANE TAX

The U.S. Senate is considering legislation sponsored by Senator Sheldon Whitehouse (D-RI), that would levy a "fee" (i.e., tax) on methane emissions from domestic oil and gas operations. It would affect production of natural gas liquids (NGLs) used to produce olefins (e.g., ethylene, propylene, butylene, isobutylene), which serve as critical building blocks materials for virtually all U.S. manufacturing. **The ten-year cost to the U.S. chemical industry would be $66.8 billion**, or $6.68 billion per year, on average.

CORPORATE RATE

The Tax Cuts and Jobs Act (TCJA) lowered the U.S. corporate income tax rate from 35% - among the highest of OECD countries – to 21%. The Biden Administration has proposed raising the rate from 21% to 28%. **Doing so would cost the U.S. chemical industry an estimated $1.51 billion per year.**

GILTI AND FDII

Increasing the rate of the Global Intangible Low-Taxed Income (GILTI) minimum tax to 21% **would cost the U.S. chemical industry $1.37 billion per year.** Eliminating the deduction for foreign-derived intangible income (FDII) **would cost the industry about $530 million per year**. The Biden Administration has proposed both changes.

Source: ACC economic analysis

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