

## Legislative Issues of Interest

### Alternative Minimum Tax

The Alternative Minimum Tax (AMT) hits companies with a higher tax burden when they can least afford it – when profits are down - and penalizes business investment. Hence, the AMT is an anti-manufacturing tax. The SUA's long-term goal is repeal of the corporate AMT; the short term goal is AMT relief, particularly related to faster utilization of accumulated AMT credits.

### Capital Gains and Dividends Tax Rates

Capital investment is key to economic growth and job creation. Lower tax rates on capital gains and dividends encourage capital investment. Legislation enacted in 1997 lowered the top rate on individual capital gains from 28 to 20 percent. In May 2003, the top tax rate on individual capital gains was lowered to 15 percent through 2008. These lower rates have helped fuel economic growth and the SUA supports making them permanent.

### China

The SUA is seeking a comprehensive approach to China, to boost opportunities for U.S. firms and reduce Chinese government intervention in the marketplace – focusing on improved intellectual property protection, reduction of export subsidies, full compliance with WTO obligations, and cessation of China's extreme currency intervention holding down not only the yuan but also other developing Asia currencies.

- **Currency:** China's currency must be quickly and significantly revalued to reflect economic fundamentals.
- **Counterfeiting:** A dramatic acceleration of initiatives is needed – strict enforcement of China's laws, imposition of criminal penalties, stiff border controls, etc. – to reduce and eliminate intellectual property rights violations in China, which is widely recognized as home of the biggest international counterfeiting and piracy rings.
- **Standards:** A vigorous and sustained effort must be waged both here and in China to eliminate the growing number of trade-related administrative, regulatory and technical standards barriers in China that effectively block U.S. producers' access to the Chinese market.
- **Subsidies:** Chinese companies are reported to benefit from a wide array of subsidies (government bank lending to firms without creditworthiness, export-based tax incentives, etc.). Applying U.S. countervailing duty law to China could help offset many disadvantages now facing U.S. firms.
- **U.S. Exports:** In an effort to bolster U.S. manufacturers' exports to China, we

must strengthen and expand U.S. export promotion and financing programs, streamline export controls and Chinese business visa policies, and seek further reductions in Chinese tariffs and restrictive public procurement policies.

## **Counterfeiting**

Product counterfeiting has grown dramatically worse around the world, and is estimated to account for 7 percent of world trade. The problem is especially serious in China where a wide range of fake industrial products are manufactured in large volumes for the domestic market and sale abroad. Counterfeiting not only hurts businesses and their employees but also poses health and safety risks to consumers as fake products usually do not meet the high quality standards of the authentic products.

## **Countervailing Duties**

Direct and indirect industry and export subsidies are a major concern of U.S. manufacturers, particularly those who compete against Chinese-made products. Subsidies distort international trade and investment – regardless of whether they originate in market or non-market economies.

## **Currency Manipulation**

In 1994, China devalued its currency by about 30 percent and maintained that value for over 10 years –despite a huge increase in production capability and quality, productivity, foreign direct investment, and other factors that would normally be expected to cause a currency to appreciate. China has changed its currency policy and is allowing the yuan to appreciate, but the 7 percent appreciation so far is not enough.

## **Energy**

Affordable and reliable energy is essential to the long-term health of the U.S. economy and the prosperity of American workers. While investing in new energy sources and continuing to boost efficiency gains will play critical roles in meeting our country's energy demands in the future, America must increase its access to domestic sources of reliable energy.

## **Estate (Death) Tax**

The current death tax places a tremendous burden on American businesses. With rates as high as 46 percent, federal estate and gift taxes force some families to sell a business when the owner dies. Even before death, many business owners are forced to adopt estate planning strategies that are costly, cumbersome and time consuming. Legislation enacted in 2001 gradually phases out the death tax until 2010 when the tax will be completely repealed. Unfortunately, the tax law changes are temporary. A “sunset” provision

terminates all the tax relief at the end of 2010. Unless this sunset is repealed, the 2001 estate tax regime will resurface in 2011.

## **Health Care - Costs**

The greatest problem in American health care is the rising cost of health coverage, a problem that burdens employers and workers alike. The SUA supports market-oriented strategies like health insurance tax credits to improve the affordability of health care coverage for employers and workers. We also support new and emerging strategies like consumer-directed health coverage and Health Savings Accounts (HSAs) that will help consumers navigate the changing face of health care. The key to health care reform is increasing access to the wonders of American medicine, not in replicating the errors of socialized medicine abroad.

## **Immigration Issues**

Educating and training American workers while welcoming foreign talent are not mutually exclusive; in fact it is among our country's richest traditions. Highly educated foreign nationals are job creators who spur economic growth and for whom there is fierce world-wide competition. It is imperative that we work to keep this homegrown talent in the United States instead of going to work for our competitors abroad.

## **International Tax**

In the interest of promoting U.S. global competitiveness, it is important for policymakers to simplify and reform our current international tax regime, which is both anti-competitive and anti-growth. An effective package of international tax simplification/reform provisions would provide immediate economic stimulus by reducing double taxation and compliance burdens, thereby reducing overhead costs of export production and foreign investment. Lower costs directly translate into increased sales of U.S. products and jobs for American workers making those products.

## **Internet Tax**

The Internet Tax Moratorium, which is a ban on state and local taxation of Internet access (except for some grandfathered states) and new, multiple, and discriminatory taxes on electronic commerce, expired at the end of 2003. The 108th Congress temporarily renewed the moratorium.

## **Tax Policy**

Faced with a "pay as you go" environment in the 110th Congress, the SUA is joining with others in the business community in opposing new tax increases on American manufacturers. In particular, we are working to derail current efforts to impose new limits on nonqualified deferred compensation and eliminate deductions for punitive damages

and settlement payments.

## **Trade Agreements**

The SUA seeks to level the global playing field for American manufacturers by reducing foreign barriers to U.S. exports. The SUA is a strong supporter of reducing trade barriers through multilateral trade negotiations in the World Trade Organization (WTO) Doha Round, but also supports a continued effort to negotiate bilateral or regional free trade agreements (FTAs). FTAs are a proven, practical way of eliminating foreign trade barriers. Many people mistakenly believe that trade agreements are the cause of our trade deficit. In fact, the truth is that a disproportionate share of our trade deficit comes from nations with which we do not have trade agreements.