

# *U.S. Senate Committee on Finance*

For Immediate Release

Friday, Sept. 24, 2004

## Grassley, Baucus Assert Value of Manufacturing Benefits Under the JOBS Act

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, ranking member, today sent the following “Dear Colleague” letter asserting the value of the manufacturing benefit under the *Jumpstart Our Business Strength (JOBS) Act*.

The text of the senators’ letter follows. Attachments are included.

September 24, 2004

### **Manufacturing Benefits Under the JOBS Act**

Dear Colleague:

We are writing to correct a misleading assertion that few corporations would benefit from the manufacturing deduction in the Senate-passed *Jumpstart Our Business Strength (JOBS) Act*. Early last month, it was asserted that 99 percent of the 2.2 million corporations that will file corporate tax returns next year will receive either no benefit, or less than \$50,000 of benefit, under the manufacturing deduction in the Senate JOBS bill. This assertion is misleading, and it is important for us to correct the record as a conference on the JOBS Act is imminent.

As its name would suggest, the manufacturing deduction benefits only manufacturers. The 2.2 million corporate returns represent all corporate filings, regardless of whether the corporation is a manufacturer, a bank, a service company, or a dormant shell entity. Only 126,000 of these 2.2 million corporations identify themselves as active manufacturers. Forty-three percent of these companies will have manufacturing profits eligible for the deduction, and a significant percentage -- over 35 percent -- of all C corporation manufacturers will benefit from the manufacturing deduction. Some corporations may not benefit because of operating losses. For those companies, the JOBS bill provides a modified 5-year carryback of net operating losses and AMT relief for loss companies that have continued to invest in their U.S. operations.

Moreover, whereas the August assertion focused on C corporations alone, the JOBS bill makes no distinction between large manufacturers set up as C corporations and smaller manufacturers organized as partnerships, S corporations, or sole proprietorships. We have always felt that it was necessary to include all manufacturers in this provision, because it is the manufacturing sector as a whole that needs our help.

In this regard, a full quarter of the benefit of the manufacturing deduction will be shared by approximately 85,000 S corporations, 15,000 partnerships, and 50,000 sole proprietorships. This just cannot be dismissed as insignificant.

Last month's statement also implied that a manufacturing benefit of less than \$50,000 is insubstantial. A corporation would need around \$3 million of income from domestic manufacturing to receive a \$50,000 benefit in 2005. Less than 5,000 of the largest manufacturers will receive a benefit in excess of \$50,000 next year. However, for the thousands of small manufacturers across our nation, a benefit of less than \$50,000 would be a welcome relief. And, once the manufacturing deduction is fully phased-in, it will take only \$1.6 million in income from domestic manufacturing to receive a \$50,000 benefit. Attached is a letter from the Joint Committee on Taxation that supports our positions in this letter. We have also included two charts that illustrate the distribution of the manufacturing benefit.

It is time for Congress to step up and pass this bill. Doing so will end the European sanctions that we should have dealt with long ago and give America's manufacturers -- both large and small -- a much-needed boost.

Sincerely,

Charles E. Grassley  
Chairman

Max Baucus  
Ranking Member