Preserving TCJA Provisions Vital to U.S. Manufacturing Growth and Innovation

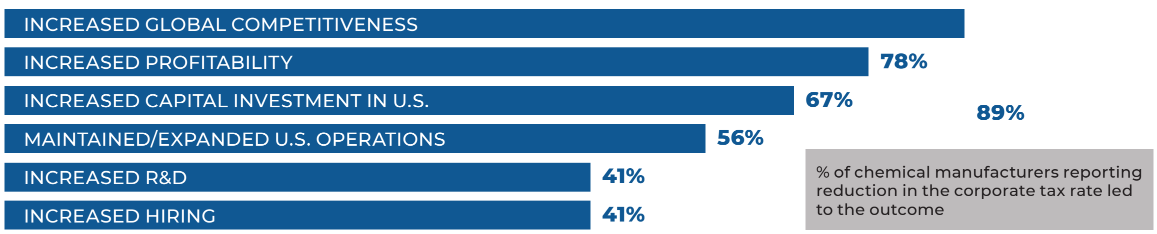
American Chemistry Council

Tax reform is accelerating growth and employment opportunities in U.S. chemical manufacturing. Thanks to enactment of the Tax Cuts and Jobs Act (TCJA), our nation is benefiting from a more internationally competitive system that is helping to attract investment, propel innovation, and create jobs in American chemistry.

The American Chemistry Council (ACC) conducted a survey of its member companies in June of 2024 to understand the effects of key provisions of the TCJA on their businesses and the likely impacts if these provisions are repealed or allowed to expire.

Survey Findings

The reduction in the corporate tax rate from 35% to 21% positively impacted many chemical manufacturers' ability to competitively produce chemicals in the United States. Survey participants say it led to:



Value of TCJA Provisions to ACC Members

These tax policies allow U.S. businesses to thrive, create jobs, and strengthen the economy and national security.

63% of companies say **immediate R&D expensing** has led to increased R&D investment by their company, while 52% say the failure to re-establish this provision would result in reduced investment by their company.

74% of companies say **full expensing of capital equipment purchases** has led to increased capital investment in the U.S. by their company, while 59% say the failure to re-establish this provision would result in reduced capital investment by their company.

59% of companies say the **deduction for foreign-derived intangible income (FDII)** has increased the global competitiveness of their company, while 59% say the failure to prevent the repeal of this deduction would decrease their company's global competitiveness.

41% of companies say the **pre-2022 Section 163(j) interest expense deduction based on EBITDA** led to increased capital investment in the U.S. by their company, while 44% say the failure to re-establish this provision would decrease their company's global competitiveness.

52% of companies say the failure to prevent **an increase in the Global Intangible Low-Taxed Income (GILTI) rate** would decrease their company's global competitiveness.

Value of C-SALT Deduction to ACC Members

Under current law, C-corporations may fully deduct their state and local taxes (SALT) as part of their business expenses. These include property taxes, state and local income taxes, sales and use taxes, franchise taxes, and other local taxes. ACC members have large facilities and as a result, pay significant amounts of property taxes. Some states impose an extraction or severance tax for the extraction of resources, which also results in substantial taxes for some ACC members.

Some policymakers want to eliminate or limit the C-SALT deduction. The loss of full deductibility would add significantly to a chemical company's business costs and diminish its competitiveness domestically. ACC opposes changes to the C-SALT deduction.

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