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MEMA Tax Policy Priorities Submission
House Ways & Means Committee
Tax Reform Working Groups for Manufacturing & Energy
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The Motor & Equipment Manufacturers Association (MEMA) represents more than 1,000 companies that manufacture and remanufacture motor vehicle parts for use in the light vehicle and heavy-duty original equipment and aftermarket industries and directly employ more than 734,000 people across the country.

Suppliers are the nation's largest creator of manufacturing jobs nationwide, and motor vehicle parts manufacturing generates another 1.27 million indirect jobs in the supply chain, providing more than $220 billion in annual wages and income and contributes $355 billion to the U.S. Gross Domestic Product.

Simplified, Fairer, and Competitive Tax System

MEMA supports reforming the U.S. tax code to make it simpler for manufacturers to conduct and grow their businesses and allow them to better compete in an increasingly competitive global market. A lower corporate rate through tax base broadening and a more competitive U.S. international tax system will generate greater growth in the U.S. and abroad. This potential international growth is important because 95 percent of the world's consumers reside outside the U.S. In addition, tax parity should be provided for businesses organized as "S Corps" or "pass through" companies. Maintaining the status quo reduces the potential for greater economic growth.

Given the cyclical nature of the motor vehicle parts manufacturing industry, improving the ability of suppliers to access sufficient capital during economic downturns is critical for long- term growth. Tax reform should recognize this important need with the goal of reducing the tax burden on manufacturers to improve global competitiveness.

MEMA's 2013 Priority Issues Survey of member companies indicated tax reform among the most important legislative issues.

Research & Development Tax Credit

MEMA supports a permanent, simplified, and enhanced Research and Development (R&D) tax credit. For motor vehicle parts manufacturers, the R&D tax credit remains an integral element to maintaining innovation and investment in the U.S. and enables key industries, such as motor vehicle suppliers, to invest in new ideas and inventions. Short-term extensions limit the innovative and job growth potential of the tax credit.

Innovative manufacturers of all sizes should be able to utilize the credit for long-term business planning that promotes economic growth and jobs. This is particularly important for suppliers who have a growing role in developing advanced technologies needed to meet federal vehicle efficiency, emissions and safety requirements. A permanent and strengthened credit should be established regardless of future tax reform efforts.

Capital Cost Recovery

Given the capital-intensive nature of manufacturing, modernizing the cost recovery (i.e. depreciation) rules can do much to improve investment and job growth in critical manufacturing sectors such as the motor vehicle parts industry, where the creation of direct jobs has a significant multiplier effect on indirect jobs. The domestic production deduction (Sec. 199) is utilized by many suppliers to help sustain and grow their businesses. Allowing flexibility with current tax rules can also strengthen manufacturing, such as the use of Alternative Minimum Tax (AMT) credits for offsetting investments in machinery and equipment.

International Taxes

According to the National Association of Manufacturers (NAM), the U.S. imposes a greater tax burden on repatriated foreign earnings than that of its major trading partners. The current system has not evolved over recent decades, leaving U.S. multinationals at a disadvantage to many advanced industrialized competitors who tax foreign earnings at a significantly lower rate. In addition, the current system discourages foreign profits from coming back to the U.S. to be reinvested. The current international tax system needs modernizing in order to recognize the realities of a global economy.

Many large motor vehicle parts manufacturers conduct business around the world due to their customer base. In order to compete in a global market while promoting domestic growth, taxation of foreign earnings should be lowered so as not to disadvantage U.S.-based companies.

Energy Efficiency and Renewable Energy Incentives

Appropriate incentives to promote the adoption of efficient and clean technologies of the future are critical to sustaining the innovation of motor vehicle suppliers and the larger motor vehicle industry. Whether harnessing hybrid technology for commercial vehicles or improving efficiency of the internal combustion engine, incentives must be part of a holistic approach to advancing promising technologies.

Transportation Technology Incentives

Federal government requirements and consumer and commercial preferences for advanced safety technologies, such as stability control, active forward collision, brake stroke monitoring and lane departure warning systems for commercial vehicle applications, are critical to the growth of the motor vehicle parts industry. Appropriate incentives should be made available to advance these technologies to the market. Also important are incentives for vehicle connectivity/intelligent transportation systems that can both detect dangers on the road and manage real-time data to help improve both safety and efficiency of transportation systems.