NUCOR
CORPORATE OFFICE

April 15, 2013

The Honorable Jim Gerlach	The Honorable Linda Sanchez
Chair	Vice Chair
House Ways & Means Committee	House Ways & Means Committee
Manufacturing Tax Working Group	Manufacturing Tax Working Group
Longworth House Office Building	Longworth House Office Building
Washington, DC 20515	Washington, DC 20515

Dear Representatives Gerlach and Sanchez:

Nucor Corporation appreciates having the opportunity to share our thoughts on corporate tax reform and its potential impact on our company, the steel industry and manufacturers more broadly.

Nucor is the largest steel producer in the U.S., with a production capacity of 27 million tons. We are also North America's largest recycler. Last year we recycled over 19 million tons of scrap steel, turning it into new steel products. Our company employs over 22,000 teammates at approximately 200 facilities, which are primarily located in the U.S. and Canada. We produce a wide range of steel products including carbon and alloy steel – in bars, beams, sheet and plate; steel joists and joist girders; steel deck; fabricated concrete reinforcing steel; cold finished steel; steel fasteners; metal building systems; steel grating and expanded metal; and wire and wire mesh. During the Great Recession, we did not lay off a single worker at our steel mills because of a lack of work. For 160 straight quarters, we have paid a dividend to our investors.

The manufacturing sector is the backbone of a strong economy. For that reason, we believe any efforts to reform corporate tax policy must continue to encourage manufacturing activity in the United States. A number of provisions in the current tax code provide this incentive, so it is important to understand how the elimination of these deductions and credits will impact manufacturing activity and the rate to which corporate taxes will need to be lowered in order to keep manufacturers whole. According to the Tax Foundation, the effective tax rate for manufacturers from 2003 to 2008 was just under 20 percent. A target of a 25% statutory rate combined with eliminating many deductions and credits will result in a higher effective tax rate for many manufacturers than under current law. This scenario would be a tax increase on manufacturing to pay for a tax cut for other sectors.

As a major U.S. steel producer, Nucor is a member of the American Iron and Steel Institute (AISI). AISI has also submitted comments to the Manufacturing Tax Working Group regarding corporate tax reform and the manufacturing sector, particularly how current provisions in the tax code impact the steel industry. Nucor fully supports the comments submitted by AISI.

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As AISI noted in their comments, the steel industry is under tremendous competitive pressure from foreign producers. This is not fair competition in a free market. American steel companies increasingly find themselves competing against foreign governments, not private companies. Large foreign steel producers are often state-owned enterprises that have the full backing of their governments. They receive a vast array of government support, much of it in violation of trade law, including free land, subsidized energy costs, low interest loans, and export subsidies. That is why it is important that corporate tax reform not further disadvantage the U.S. steel industry.

Several provisions currently in the tax code help maintain manufacturers' global competitiveness and encourage large capital investments. Large capital projects create construction jobs during the building phase and well-paying permanent jobs that are vital to sustaining our nation's middle class. Our steel manufacturing facilities require constant equipment upgrades to improve efficiency, enhance product quality, and meet changing environmental regulations, making steel a very capital intensive industry. We believe one of the most critical provisions for encouraging capital investment is accelerated depreciation, which lowers taxable income more quickly freeing up cash for further investment. Other tax provisions that also help maintain competitiveness and encourage investment include last-in-first-out (LIFO) inventory accounting method, the domestic production activities deduction (Section 199), the research and development credit, and bonus depreciation.

Parts of the tax code directly addressing manufacturing are not the only areas of concern. Steel is also an energy intensive industry. Nucor currently uses 30 to 35 billion BTUs of natural gas annually in our steel mills. When we begin operating a new Direct Reduced Iron (DRI) facility currently under construction in Louisiana, we will use an additional 25 billion BTUs. As a large electricity consumer, we also use natural gas indirectly. This indirect use will only grow as natural gas is increasingly used for electricity generation. Therefore, we believe it is important to maintain provisions in the tax code that encourage domestic energy production.

For example, the intangible drilling costs deduction has been allowed since 1913. This deduction has been in place to attract investment in oil and gas exploration. We believe that this is a vital incentive which is helping to ensure that all manufacturers may have access to affordable energy, and has the potential to drive a manufacturing renaissance in the United States. As part of our own efforts to have access to reliable, low cost natural gas supplies, we recently entered into a long-term agreement in a working interest drilling program that will help offset our exposure to the volatility of natural gas prices.

Low cost domestic natural gas supplies are spurring a wave of new manufacturing investment in the U.S. To date, more than $90 billion in projects have been announced. We urge working group members to keep in mind the tremendous competitive advantage low cost natural gas supplies are giving the U.S. and the central role low prices are playing in driving this manufacturing renaissance. Tax changes that remove incentives for energy production or increase the cost of energy production will also increase costs for manufacturers and put our nation's manufacturing at risk.

We thank the working group for this opportunity to share our thoughts on corporate tax reform and the manufacturing sector. As an employer with a strong record of supporting American jobs, we believe any reform efforts should result in a stronger U.S. manufacturing sector. Being a nation that makes, builds, and innovates will ensure a strong American economy and good jobs for generations to come.

Sincerely,

Elizabeth W. Bowers

Elizabeth W. Bowers
Vice President of Tax
Nucor Corporation