

**Hearing on the Miscellaneous Tariff Bill: Helping U.S. Manufacturers through Tax  
Cuts**

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HEARING  
BEFORE THE  
SUBCOMMITTEE ON TRADE  
OF THE  
COMMITTEE ON WAYS AND MEANS  
U.S. HOUSE OF REPRESENTATIVES  
ONE HUNDRED FOURTEENTH CONGRESS  
SECOND SESSION

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## Hearing on the Miscellaneous Tariff Bill: Helping U.S. Manufacturers through Tax Cuts

U.S. House of Representatives,  
Committee on Ways and Means,  
Washington, D.C.

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The subcommittee met, pursuant to notice, at 2:11 p.m., in Room 1100, Longworth House Office Building, Hon. Dave Reichert [Chairman of the Subcommittee] presiding.

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\*Chairman Reichert. The subcommittee will come to order. Welcome to the Ways & Means Trade Subcommittee hearing on the Miscellaneous Tariff Bill. Before hearing from our witnesses, I would like to make a few points.

Since 1982, Congress has considered bipartisan legislation to temporarily suspend or reduce tariffs on certain imported products and make technical corrections to U.S. tariff laws through legislation known as the Miscellaneous Tariff Bill, or as we will refer to those, as MTBs, because Miscellaneous Tariff Bill is a mouthful.

The MTB is designed to boost the competitiveness of American manufacturers by lowering the cost of imported inputs, and in some cases finished goods, without harming domestic firms that produce competing products. Just as companies in my home State of Washington have relied on MTBs, I know that many of my colleagues will share stories from their own districts.

Our manufacturers have used the savings from past MTBs to strengthen their competitive edge, support the creation of domestic manufacturing jobs, increase U.S. production, and contribute to the economic growth of the United States. But since the last MTB expired in 2012, American manufacturers of all sizes have been hurt because there is no process in place to cut their costs and help them compete.

Beyond dollars, the expiration of the MTB has cost our manufacturers domestic jobs and undermined their competitiveness. We owe it to our manufacturers and to the economic health of the United States to find a solution, and I believe we have.

I am very pleased that the ranking member, Mr. Rangel, and so many of our colleagues have joined with Chairman Brady and me yesterday in introducing legislation to establish a bill to strengthen the MTB process. Our bill delivers a regular, predictable legislative process for the temporary suspension and reduction of tariffs that helps our manufacturers and their employees, and it is also consistent with the rules of the House and upholds our strong ban against that word we all love to hear, earmarks.

The process will begin by having our companies petition the Internal Trade Commission -- International Trade Commission, excuse me -- instead of having individual Members of Congress introduce bills. It will be a model of transparency. It gives the American people the ability to see the whole process all the way through. And at the end, we will fully comply with the publication requirements in the House rules.

I am very pleased that our solution has such strong bipartisan and bicameral support and makes good on the commitment made by the conferees on the Customs Bill to find such a solution.

And I will again yield to Mr. Rangel if he has any further statements that he would like to make before we go to the witness testimony.

\*Mr. Rangel. No, Mr. Chairman. I am anxious to hear from the witnesses.

\*Chairman Reichert. Okay. Thank you, Mr. Rangel.

The first witness that we have with us today is Mr. Leib Oehmig, president and chief operating officer for Glen Raven. Our second witness is Ms. Dawn Grove, legal counsel for Karsten Manufacturing. Our third witness is Ms. Brooke DiDomenico -- close enough? DiDomenico -- production manager for Nation Ford Chemical. Our fourth witness is Mr. Matt Schreiner, global leader of Gore-Tex Footwear Innovation at W.L. Gore & Associates.

Before recognizing our first witness, let me note our time is limited. So please limit your testimony to five minutes. And we are going to ask the members to adhere to a three-minute rule today, as I said earlier, instead of the five-minute rule because of a possible vote.

So Mr. Oehmig? You have five minutes.

#### STATEMENT OF LEIB OEHMIG, PRESIDENT AND CHIEF OPERATING OFFICER, GLEN RAVEN, INC.

\*Mr. Oehmig. Chairman Reichert, Ranking Member Rangel, and distinguished members of the subcommittee, it is an honor to appear before you today as the subcommittee considers Miscellaneous Tariff Bill reform and the economic benefits of providing tax cuts on imported products that are not available in the United States.

I serve as president and chief operating officer for Glen Raven, Incorporated. Glen Raven is headquartered in Glen Raven, North Carolina, where the company was originally founded in 1880, and today remains under the same family ownership as its founder.

Glen Raven employs more than 2700 associates globally, with approximately 75 percent of those associates located in the United States. We operate five manufacturing facilities in North and South Carolina, along with 12 distribution facilities in 11 States.

Innovation has been a driving force throughout our company's history. For instance, Glen Raven is credited with the invention of pantyhose in 1958, the innovative use of geo-textiles for building roads across America, and finding new ways textiles can bring clean water around the world.

Today Glen Raven is most well known for its Sunbrella brand of fabrics. The Sunbrella brand covers a family of performance fabrics for the furniture, shade, marine, and automotive industries. Our Sunbrella portfolio of products drives innovation throughout the industry and supports thousands of U.S. jobs in research and development, design, and manufacturing.

The essential raw materials for Sunbrella are solution-dyed acrylic fibers. These fibers ceased to be available in the United States in 2005, so Glen Raven now imports these fibers and pays a 4.3 percent duty or tax on the value of these imports. These taxes make us less competitive in the global marketplace, where we are already confronting tremendous headwinds, including slowing global economic growth, currency challenges, and a rapidly changing regulatory environment.

Solution-dyed acrylic fabrics are highly technical in that the coloring occurs during the manufacturing process for these fibers. Therefore, the color actually becomes part of the polymer. In traditional textiles, fibers, yarns, or fabrics are dyed after they are manufactured, and as a result, the color is only on the surface.

The net effect is that solution-dyed acrylic fabrics are created from yarns fully permeated with color versus only having color on the surface. Sun, wear and tear, even bleach will not affect the color or performance of Sunbrella fabrics.

In order to sustain Glen Raven's position as an industry leader and driver of innovation, we must have competitive access to these essential fibers, which are simply no longer produced in the United States. In the past, Glen Raven has effectively addressed the 4.3 percent import tax on acrylic fibers through the enactment of MTBs.

Since the expiration of the last MTB in 2012, import taxes on acrylic fibers have cost Glen Raven millions of dollars that otherwise would have been invested in new jobs, research and development, design, and other innovative activities.

Further, when you consider the productivity cost to the U.S. economy, the impact is substantial. According to a study by the National Association of Manufacturers, since the expiration of the last MTB, U.S. companies have faced a \$748 million tax hike on manufacturing, and an almost \$1.9 billion economic loss to the U.S. economy.

As I mentioned earlier, U.S. companies are already facing tremendous headwinds as we strive to compete in a global economy. A \$748 million tax hike on raw materials and intermediate products that are not even produced or available in the United States is simply unwarranted.

In closing, I know this Subcommittee and the Ways & Means Committee have long recognized the need and justification for MTB. On behalf of Glen Raven and our associates, I

thank you for recognizing the importance of the MTB, but also urge you to move forward with a new and reformed process that will provide a level of certainty and predictability.

Most companies make investment decisions on a five- to 10-year horizon. For a medium-sized company like Glen Raven, when there is uncertainty about whether taxes will be imposed on our raw materials or whether there will be a process to provide us with relief, it significantly complicates our decision-making regarding where to invest and produce our fabrics.

I hope Congress will work expeditiously in a bipartisan and bicameral manner to pass a new MTB process. I know for Glen Raven this is one of the most impactful actions Congress can take to spur investment and job growth.

Thank you for the opportunity to present these perspectives. I will be happy to answer any questions the subcommittee may have.

[The prepared statement of Mr. Oehmig follows:]

\*Chairman Reichert. Thank you for your testimony.

Ms. Grove?

STATEMENT OF DAWN GROVE, CORPORATE COUNSEL,  
KARSTEN MANUFACTURING CORPORATION

\*Ms. Grove. Thank you, Chairman Reichert, Mr. Rangel, members of the House Ways & Means Trade Subcommittee, Congressional staff, and guests. Thank you. Thank you so much for the opportunity to come and tell you how the Miscellaneous Tariff Bill really does encourage and preserve U.S. manufacturing, and can even create it.

I am Mrs. Dawn Grove -- I have been married to the love of my life for 21 years -- and I am corporate counsel with Karsten Manufacturing. We are the parent company of Ping and foundry Dolphin. Ping is one of the top three golf equipment brands in the U.S. We have 831 employees in Arizona, and we have been making premium custom-fit golf equipment there for the past 57 years. The company was started in my grandfather's garage, and we love the idea of making things in the USA.

Nearly 60 percent of our workforce has been with us for 10 years or more, and 30 percent with us for 20 years or more. I have only been there 18 years, so I am a relative newbie. We are very excited that several of our Ping golf pros may be selected for the U.S. and other countries' Olympic teams when golf returns to the summer Olympics in Rio.

So Karsten Manufacturing is the only major golf manufacturer that has its own foundry in the U.S., and we used to be able to source our club heads from a number of different foundries. But those have since left the U.S. and fled for more business-friendly shores.

We do still maintain our foundry. We do cast club heads. We have bought titanium furnaces to try and cast titanium club heads as well, even though that is not done anywhere else. But we simply cannot meet our demand or do that in a globally competitive way on a regular basis for the majority of our product. We do assemble the majority of our product and design it all in Arizona in the U.S.

We have no choice but to source certain components and certain club heads from other countries in order to protect the jobs that we have in Arizona and the families that depend on our employees. And as much as we have a passion for making premium custom-fit golf equipment with quality and innovation and fabulous service, we also have a passion for doing so in the USA.

Most every other golf equipment manufacturer has sent their production of golf clubs abroad, and you might wonder why that is. And one of the reasons is the tariffs and the way they incentivize that. Unbelievably, the U.S. golf equipment manufacturers are faced with a higher tariff rate to bring in a component part than we are to bring in the whole golf club. And so the industry has responded accordingly.

Why does our Federal Government penalize us in this way? We do not know. I do not think it is intentional. There are mistakes that happen in the harmonized tariff schedule. But I understand it is very difficult to fix, and it even takes an act of Congress to do a Miscellaneous Tariff Bill for a temporary fix.

So passage of the Miscellaneous Tariff Bill is not simply a special deal for us or others, actually not that at all in the golf industry. It is, rather, a way to help end the punishment for manufacturing here rather than abroad. So we literally have an inverted tariff -- higher percentage rate for the component than we would pay to bring in the whole club.

And if you could just allow me to tell you a quick story of how the MTB actually worked to bring manufacturing to the U.S., we have for decades built our golf carry bags that hold the golfer's clubs in the U.S., but at some point we realized that because the bag flats were not available here, and even though our bags were quite successful, we could not globally compete in bags without taking it elsewhere. And so in the late 1990s, with lots of tears and consternation, we opened a bag manufacturing plant in Mexico.

At some point, another golf bag manufacturer requested an MTB to take that 7 percent tax, that tariff on the golf bag flat, down to zero. Well, we are always looking for a way to bring manufacturing back to the U.S., and when we saw that, we thought, that is the difference that could be made and we could do it in the U.S. again.

And so, literally, we closed our bag manufacturing plant in the U.S. [sic] and we trained workers in Arizona to make our bags there, and we have done it ever since. Now that tariff has gone back up to 7 percent. So we have literally moved our whole production to another area and done all sorts of things to lessen the costs.

It is very challenging, and it would mean a great deal to us if you were able to shepherd this across the finish line and get the MTB passed, let my family know that you appreciate our commitment to the U.S., and that you care about manufacturing. Thank you.

\*Chairman Reichert. Thank you for your testimony, and we do hope this moves quickly. There will be a markup next week, so that is the next step in the process. So progress is happening. So with your help and your input, we appreciate your support and your testimony today.

Ms. DiDomenico, please?

#### STATEMENT OF BROOKE DIDOMENICO, PRODUCTION MANAGER, NATION FORD CHEMICAL

\*Ms. DiDomenico. Good afternoon, Chairman Reichert, Ranking Member Rangel, and fellow committee members. My name is Brooke DiDomenico. I am a chemical engineer and a production manager at Nation Ford Chemical. We are specialty chemical manufacturer located in Fort Mill, South Carolina. I am here on behalf of my company along with other domestic manufacturers and ask for your support in passing a revised process to allow manufacturers to petition for the removal of import tariffs on items not available to us from domestic sources.

We are active members in both the National Association of Manufacturers and the Society of Chemical Manufacturers and Affiliates, both of which also support passing the Miscellaneous Tariff Bill.

NFC is a small, family-owned chemical producer. We have been in business for over 35 years and employ approximately a hundred individuals at our facility. My plant produces products that impact the daily lives of Americans in countless ways, ranging from intermediates that are consumed in the USA, to productions of dyes that are used to color the food you eat and brighten the paper you write on, as well as a variety of other specialty chemicals, plastics, and naturally derived products that are sold both here and abroad.

NFC is the sole domestic producer of colorants for the M18 smoke canisters used by the U.S. Army and PANA, an additive used in jet engine lubricants that is literally in every jet aircraft flying today for both military and commercial use. If NFC were no longer in business, these products would be manufactured and imported from the Far East.

As a toll manufacturer, many customers rely on NFC to make over a hundred specialty products that are only made at our plant. Many U.S. companies have shut down because of unfair competition from the Far East. The MTB is one step to help level that playing field.

NFC, by necessity, must import some of the chemicals we need to support our production. Prior to the expiration of the previous MTB and the end of 2012, NFC has historically filed requests for several raw materials to be included in the MTB. The elimination of these duties has a large impact on the ability for our company to compete against imported

goods. We currently spend over \$100,000 annually on these duties, which is money that would have been reinvested in the company for growth and job creation.

Domestic manufacturing as a whole has faced an annual tax hike of almost \$750 million, an over \$1.8 billion economic loss to the U.S. economy, according to an analysis done by the NAM. One specific example for us is the import of Dianil, which is a raw material used to manufacture a purple pigment at our facility. The pigment, called Violet Pigment 23, is manufactured at our plant in Fort Mill, South Carolina under a toll agreement for Sun Chemical.

Because of the expiration of the MTB, up to \$600,000 annually will be paid in duties on Dianil alone. Since Sun Chemical purchases the raw material, this impact is in addition to the \$100,000 I referenced for NFC-purchased raw materials. Therefore, the higher import duties affect not only NFC but also Sun Chemical and their downstream customers.

This product has a very low profit margin, and the addition of these duties has made it even harder for us, the only domestic manufacturer of this important colorant, to compete against imported Violet Pigment 23. The elimination of the tariff on imported Dianil would allow NFC and Sun Chemical to be more competitive with Violet Pigment product that is currently being imported from foreign producers. This imported volume could all be manufactured domestically at our plant if we were able to lower the price.

Since the MTB is only applicable to materials that are not manufactured domestically or available in sufficient quantities, it would not have a negative effect on domestic manufacturers. The MTB package considered by Congress in 2010 was estimated to support 90,000 domestic manufacturing jobs, increase U.S. production by \$4.6 billion, and expand U.S. GDP by \$3.5 billion.

NFC therefore strongly urges the Ways & Means Committee to support the Miscellaneous Tariff Bill. Thank you for your time and consideration.

\*Chairman Reichert. Thank you for your testimony today.

Mr. Schreiner?

**STATEMENT OF MATTHEW E. SCHREINER, GLOBAL LEADER FOR GORE-TEX  
FOOTWEAR INNOVATION, W.L. GORE & ASSOCIATES**

\*Mr. Schreiner. Good afternoon. Thank you, Mr. Chairman and members of the committee, for the opportunity to testify on this important trade topic. My name is Matt Schreiner, and I am the global leader for Gore-Tex Footwear Innovation at W.L. Gore & Associates, headquartered in Newark, Delaware. I have been at Gore for more than 20 years, and currently I am responsible for new product development and innovation globally for our Gore-Tex footwear business.

Introduced in 1978, Gore-Tex technology revolutionized outerwear and footwear that could be both durably waterproof as well as breathable. For the first time, outdoor enthusiasts could be completely protected from the elements without having to endure sauna-like conditions inside of their jackets and shoes due to the buildup of heat and humidity.

We are a privately held company founded in 1958. We employ approximately 10,000 associates worldwide; 6,000 of those are working in the United States. Our products find application in a wide range of industries, including electronics, military and consumer apparel, medical devices, and polymer processing.

We are a proud member of the National Association of Manufacturers, whose is leading industry efforts supporting MTB process that will benefit manufacturers like us. We are also active in the OIA, AAFA, FDRA on trade issues, including matters relating to MTBS. Clearly, MTBs are extremely important to all four groups.

Virtually all of the thousands of products Gore makes are based on just one material, a versatile polymer material known as ePTFE, which we engineer to perform a wide variety of functions. In our Gore-Tex fabrics products, we create these polymer membranes in one of our Maryland facilities, which we subsequently laminate to textiles. These rolled good composites are eventually built into the finished apparel products, including outerwear and footwear.

We sell our laminates and other functional components, like seam-sealing tape and gaskets, to some of the world's most well-known outdoor brands, including Brooks, Danner/ LaCrosse, Marmot, Merrell, The North Face, Outdoor Research, Saucony, Wolverine, and Under Armour. Collectively, Gore and these partners create valuable innovation in technology that allows outdoor enthusiasts to enjoy their favorite outdoor activities.

As a company and a brand, the success we have enjoyed to date derives from the extensive investments we make here in the United States, principally within our Maryland and Delaware campuses. It is here that we combine the essential ingredients of value creation in our products, such as fundamental materials R&D, product design and development, process engineering, prototyping, testing, and market research. Even though the assembly of our footwear is done internationally, the highest value is created in the U.S. and resides principally in our membrane, which is manufactured in Maryland.

Performance footwear providing protection against the elements using coated or laminated textile fabric such as Gore-Tex fabrics is subjected to duty rates as high as 37.5 percent. By comparison, the average consumer good has a duty rate of only 1.3 percent.

Across the value chain, these tariffs pose significant economic disincentives for us, our customers, and footwear retailers, and they effectively narrow the choice and access of the U.S. consumer to the most technologically advanced footwear available. By contrast, consumers in other parts of the world are not subject to this onerous tariff, allowing them to purchase, at a much lower price, a broader range of innovative products designed in the U.S. by American workers.

The MTB process greatly reduced these economic barriers and allowed the market to reflect the consumer demand for waterproof and breathable hiking boots and shoes. Brands added our technology more broadly across their product lines, and footwear retailers sold a wider range of styles at better price points.

As a result, our sales revenue rose dramatically, and we continued to invest with confidence in our U.S.-based product innovation programs that we believed offered significant growth potential. Incidentally, this occurred at the time of a recession, and the positive effect certainly helped to secure American jobs in our U.S. facilities.

I thought it might also be instructive to the committee to share with you one recent example of how the high footwear tariffs actually hampered the introduction of a new technology into the U.S. market.

In late 2012, shortly after the MTBs expired, Gore unveiled Gore-Tex Surround technology. This is a new footwear innovation platform that we had been heavily investing in for years. With this innovation, we extended the breathable functionality of our footwear to include the sole of the shoe, dramatically increasing performance. The technology can be applied to a wide range of nearly every type of footwear that we work with today on the market.

For new and innovative products, the up-front costs to produce and sell are typically much higher than for more established products. Our launch of this new technology coincided with the expiration of the MTBs, and the resulting duties of 20 to 37.5 percent essentially priced this technology out of the market. As a result, this innovation was introduced only to the European and Asian markets by non-U.S. brands, which allowed these brands effectively a first-to-market advantage.

While U.S. footwear brands have since introduced the technology, they still have some catching up to do with their international competitors. And because of this lag, U.S. consumers still experience a limited choice of product featuring a technology developed by an American company.

The MTB is a critical and effective tool for manufacturers like us to seek duty relief on high-value products. We are supportive of the new proposed MTB process because for Gore, MTBs have directly incentivized our investments in new and innovative technology, they have helped secure American jobs, and they have increased our global competitiveness.

The MTB also helps ensure that the U.S. consumer can continue to enjoy their favorite outdoor activity while remaining comfortable and well-protected from the elements. Thanks for considering my remarks here today.

\*Chairman Reichert. Thank you all for your testimony, and the people on the panel here, members will have questions. And reminder to the members that we will hold everyone to three minutes.

So the testimony, of course, I think that everybody listened to. And I was very interested in hearing how -- this really made it clear to me that American families are really the ones who ultimately pay the price as a result of these tariffs. And regardless, though, whether these tariffs are on inputs used in manufacturing or on the products that they buy in the stores, the customer ends up paying the bottom line.

So Mr. Schreiner, in the Pacific Northwest, we like to consider ourselves to be the outdoor enthusiasts that you described in your testimony. And this is a great story of how the MTB impacts your business and how it impacts your customer. And I was just wondering if you could just go into that in a little more depth on how MTB would benefit your consumers and reduce prices on store shelves, even when duties are suspended on inputs, components, or semi-finished products.

\*Mr. Schreiner. Sure. Chairman Reichert, in fact, two customers of ours are based in the Pacific Northwest, Brooks Sports as well as Nike. So we enjoy nice business with both of those world-class footwear organizations.

To add our technology to a shoe generally affects the consumer at about a -- requires about a \$15 to \$25 upcharge, depending on how it is incorporated into the finished shoe. The tariffs, 37.5 percent tariff on that, can add anywhere from an additional \$12 to \$17. So it becomes a pretty dramatic, and what we believe, an onerous tax to the end consumer purely to provide the -- to pay the tariff back to Treasury.

So obviously, what that does for us as a high-value component brand is it limits, sometimes, the range of product that we can be found in at retail. It forces some of our customers to down-select to less expensive technologies that do not originate in the U.S, despecifying Gore-Tex, for example, for a much less expensive alternative that may be sourced somewhere closer to the point of footwear assembly offshore in the Asia Pacific region.

Obviously, that affects our business and it affects our ability to manufacture the membranes, which are essential components for this finished footwear.

\*Chairman Reichert. Thank you.

Mr. Rangel?

\*Mr. Rangel. Thank you. It is a real comfort for us to be doing something where the witnesses are pleased that we are helping to improve competition with U.S. firms.

Mr. Oehmig, I understand that your subdivision, Sunbrella, is having a 65 or 70 percent clearance on fabric. But I do not see anything that those of us from urban communities can use it for.

\*Mr. Oehmig. Yes. In terms of use of the fabric?

\*Mr. Rangel. I do not know. Anything that is 70 percent discounted, I am interested in. But I have no clue as to what Sunbrella would do for an urban dweller.

\*Mr. Oehmig. When you mentioned a 70 percent discount, what --

\*Mr. Rangel. I read someplace that you are having a clearance sale on your stuff there at Sunbrella. You better check it out back home.

[Laughter.]

\*Mr. Oehmig. Well, we are about value-added. We hope we are not discounting, so I do not know where you saw that. We need to look into that for sure.

\*Mr. Rangel. Okay. We welcome the Mexican jobs coming back to the United States. We appreciate it.

For Ford Chemical, I am glad that you recovered from that severe fire that you have suffered and you are back in business and competitive.

And that shoe technology, is that just for outdoor shoes, or dress and casual shoes?

\*Mr. Schreiner. Dress and casual.

\*Mr. Rangel. Is that on the market already?

\*Mr. Schreiner. Dress and casual as well.

\*Mr. Rangel. Is it online?

\*Mr. Schreiner. Oh, yes. You can find it online for sure.

\*Mr. Rangel. In your dress shoes. Thank you for your testimony. We like to be partners with you in your success. Yield back.

\*Chairman Reichert. Ms. Jenkins?

\*Ms. Jenkins. Thank you, Mr. Chairman. Thank you to the panel.

According to a case study by the National Association of Manufacturers, the Bayer facility, located in Kansas City, which is just miles from my district, employs about 625 people, the majority of which are involved in the manufacturing, handling, and sales of ag crop production products containing imported materials.

Bayer in Kansas City also supports upstream local suppliers of goods and services, and for every imported material utilized, it is estimated that seven to eight locally sourced raw materials and packaging goods are consumed. These advanced crop production products produced in

Kansas City help ensure high-quality, high-yield crops that provide affordable nutrition and clothing for people in the U.S. and around the entire world.

As part of a multinational corporation, the Kansas City site is in competition with Bayer's foreign locations and third party manufacturing for new and expanded capacity investment. Considering most foreign manufacturing locations operate in a duty-free environment, the Miscellaneous Tariff Bill will help Bayer in Kansas City remain a competitive option for creating and keeping manufacturing jobs in the United States.

But let's not forget that the MTB will also help much smaller businesses stay globally competitive. In 2010, Kansas Global conducted a survey of member companies in 10 counties located in South Central Kansas and found that approving the MTB would have provided approximately \$3 million in savings over a two-year period.

Now, some of these companies are larger companies, but most are like Ken Gebhart's Celestaire, which is the only domestic seller of analog navigational equipment in the U.S. Celestaire is a three-person company that averages about \$800,000 in annual sales, but more than half of those sales come from exports. Getting the MTB approved will help Ken compete against companies in Japan and Germany.

Approving the Miscellaneous Tariff Bill will help manufacturers in the U.S. and will help create and save jobs. And I am excited that we are finally moving forward with this, Mr. Chairman. I yield back.

\*Mr. Boustany. Thank you, Mr. Chairman. I really appreciate this hearing.

I want to thank you all for your very compelling evidence you have given us for why we need to do this. And it is high time that we act and move forward, and that is exactly what we are going to do. We have got a bill, and hopefully we will get this done. We are way behind in getting you relief.

I was really interested in the family business angle on this and your stories about companies, home-grown, family-owned, multiple generations. That is the country we want to see continue.

And Ms. DiDomenico, your testimony with regard to the chemical industry is very compelling to me particularly because in my home State, Louisiana, we have a very robust chemical, petrochemical, and plastics industry. And this indeed is extremely important to us there. In fact, I think in Louisiana in the petrochemicals production category, we rank second nationwide.

For our companies to be able to grow, expand, create jobs, export, now with new export opportunities arising, getting this MTB issued fixed and taken care of is critically important. So I want to again thank you.

And of course with Gore, I am very familiar with products in a different product line that what you have taken care of for the most part, on the medical side. And I certainly want

to -- your company has been one of the bright spots in American innovation over time. And so we want to ensure that you continue to innovate and have all the inputs necessary to do so.

\*Mr. Schreiner. Thank you.

\*Mr. Boustany. So I do not really have any particular questions. I just want to thank you all for being persistent, for being patient with Congress. Sometimes things move very, very slowly.

And Mr. Chairman, I want to thank you and your leadership on this, Mr. Tiberi's leadership, Mr. Rangel, for moving this forward. And I will yield back.

\*Chairman Reichert. Thank you.

Mr. Smith, you are recognized.

\*Mr. Smith. Thank you, Mr. Chairman, and thank you to our witnesses. I appreciate your expertise and insight on these very important issues. I know, representing agriculture, agricultural producers have really suffered, I think, a lot of the brunt of some upside-down policy, if that is the right term. And I am encouraged that we have a path forward.

Mr. Schreiner, not only do I represent agriculture, but some retail as well, a fairly well-known retailer named Cabela's. And I know that they have your products. And we know that addressing the problems that we are facing will actually add some value, and I think that that is good for our economy in general.

Can you explain a little bit how that might be carried out?

\*Mr. Schreiner. Sure. I would be happy to, Congressman Smith. Cabela's is both a very important customer of ours, and in the value chain, they are a very important retailers for many of our customers. You see, we sell directly in some cases to retail brands like Cabela's, who make their own Cabela's branded apparel and footwear, but we also sell to a number of the primary hunting brands that sell through that retail channel.

So as a customer, Cabela's obviously would benefit from the Miscellaneous Tariff Bill because they would be able to continue to source -- bring products in that can only be manufactured, for the most part, offshore for the type of footwear that they produce, and they would be able to offer those products at a more reasonable price point for their consumer, and they would be able specify higher technology in those products, which they might not be able to afford to do when the tariffs are in place.

And the same benefits would accrue as well to the brands that sell through Cabela's as a retailer. So we work very closely with Cabela's on a number of levels. And I have not talked to them specifically about their position on this, but I would be willing to bet that they as well would be extremely supportive of the Miscellaneous Tariff Bill.

\*Mr. Smith. All right. Thank you very much. I yield back.

\*Chairman Reichert. Mr. Kind, you are recognized.

\*Mr. Kind. Thank you, Mr. Chairman. Thanks for holding this hearing. And I want to thank the witnesses for your testimony today.

Ms. Grove, let me ask you, and I want you to think about this answer very carefully before you give us a response, but can you reassure our committee today that Jordan Spieth was not using a Ping club when he shot No. 12 at Augusta last Sunday?

\*Ms. Grove. Did you see that our player Lee Westwood actually won second place? He came very close. And Bubba Watson has won two of the last four Masters tournaments. But we really felt for Jordan Spieth. He is an excellent player. Really sad for him having a tough moment.

\*Mr. Kind. He did. Do you want to call out any competitor's club at this time?

[Laughter.]

\*Ms. Grove. No, thank you.

\*Mr. Kind. Let me ask the panel, just generally, just a couple of generic questions.

The only way this is going to work, obviously, politically is if we are not supplanting or replacing any domestic product line that is available. That is one of the criteria to moving forward with the ITC request. Are you aware -- have you seen -- an instance where a certain product was manufactured as a result of the absence of it being in the United States because of the MTB barrier that existed? Or a company saw a need, high tariffs, and decided to make something here domestically as a consequence? You are not aware of any instance off the top of your heads?

Well, let me ask you, has your company felt any pressure to possibly move a product line to another country in order to avoid the MTB tariffs? I see a couple of heads nodding.

\*Mr. Oehmig. We have got a global platform, and so we feel the pressure to move product lines from the U.S. But we are committed here, as I said before. Seventy-five percent of our associates are here. It is where our company was founded. We have a huge commitment here in infrastructure. It is the largest market and most important market.

And so we are obviously resisting those temptations, and quite frankly, we are paying the penalty. I mean, we continue to invest here. We have had three significant capital projects this past year. We just pushed away from the docks on a \$20-plus million cap ex spend that will benefit North Carolina. So we continue to pay that price.

But we just imagine the level of investment that we could be making if we were not having to pay the duties.

\*Mr. Kind. That is right. Ms. Grove, did you nod your head as well?

\*Ms. Grove. Yes. That really is an issue, that we could make it cheaper somewhere else and not have to pay this accelerated amount for the completed -- for the component part as opposed to the completed product.

I want to say, too, that the ITC is very thorough in the way it vets. I remember with the golf bag flats that at one point they said they were not going to do the MTB because there was a supplier of those flats in the U.S. And I said, please, tell me who that is. And they said, well, no. It is an anonymous process. And I was worried about it at first.

But we eventually found out that it was a sales guy in Georgia who was representing a company that made them in China. So once we figured that out and realized, no, there really was no domestic production, we moved on. But it is a very thorough process.

\*Mr. Kind. Okay. Great. Thank you.

Thank you, Mr. Chairman.

\*Chairman Reichert. Thank you.

Mr. Paulsen?

\*Mr. Paulsen. Thank you, Mr. Chairman. And I want to thank everyone for being here as well today. This is an issue that is really essential to American manufacturing, which is what your testimony has been so compelling to hear.

As well as in my home State of Minnesota, but I do remember being in Arizona just a few years ago and hearing the Ping story. And this issue was raised about when are we going to have action on this issue from a real American success story. And so it is great to hear your testimony here again today.

And so we have heard the statistics. You have all shared them. But it really does bear repeating, Mr. Chairman, because if you think about since the last MTB bill expired back just a few years ago, we have seen another \$748 million in higher taxes for American domestic manufacturing. You have American manufacturers every year have now had an almost \$2 billion hit to our economy because of this.

In the MTB package back in 2010, it was found to support, as was mentioned, 90,000 jobs right here in the United States, increased production of \$4.6 billion, and expanded our economy by about \$3.5 billion. These are significant numbers, and it is a pretty good bang for your buck, if you think about it -- thousands of jobs, billions of dollars going into the economy, for a few million dollars in lower tariffs that does not impact negatively any other American manufacturer or domestic importer.

And a perfect example in Minnesota is a company called Knitcraft, a domestic sweater manufacturer. They are in Minnesota. They used to buy the wrinkle-free specialized mercerized cotton that it needs to make its sweaters from American producers. But eventually higher costs and overseas competition drove the U.S. cotton producers out of business so they did not have that source in the market.

So Knitcraft was forced to turn to an Italian supplier to get the inputs needed to manufacture and then sell their sweaters. But of course that came at a price -- higher tariffs, of course, on those inputs. And they got hit twice. They got hit once by the inputs on the tariffs on the cotton they imported from Italy, and they also got hit on new tariffs on their sweaters that they sold in Canada.

And so when Knitcraft was sourcing their cotton from the United States, their sweaters did not face a tariff in Canada due to trade agreements between the two countries. But when the inputs started coming in from Italy, the company lost the duty-free treatment of their products north of the border.

So I am really encouraged by today's hearing. I have one quick question I want to ask the panel, and maybe just a couple can respond quickly. I understand that the tariffs on certain finished goods are lower than the tariffs on inputs needed to manufacture these finished goods. And we already heard the Ping story.

But anyone else? How does that put our manufacturers at a competitive disadvantage, and how do MTBs help to counteract this competitive disadvantage? Because again, higher tariff on your finished good versus a lower tariff on the input. Anyone?

\*Mr. Schreiner. Yes. I do not have a good perspective on that, unfortunately, at this stage, Mr. Paulsen. I apologize. But I can say in your State we work very closely with one of the major manufacturers in your State, 3M, with their Thinsulate insulation.

\*Mr. Paulsen. Right. Correct.

\*Mr. Schreiner. Right? And like us, 3M brings a lot of their innovation, and a lot of that process occurs in their labs and in their facilities in Saint Paul. So they -- I think for competitive reasons they source and do some of their manufacturing for certain higher volume commodity products offshore. But I would argue, similar to us, a lot of the jobs that are created in building that high-value content into those products is because of a lot of people in Saint Paul.

\*Chairman Reichert. Thank the gentleman. His time is expired.

Mr. Neal?

\*Mr. Neal. Thank you, Mr. Chairman. I am supportive of this initiative and have been. I want to just use a few minutes of my allotted time to call attention to something I think is fairly consistent here now. And there is frequently the complaint from our friends, and I do mean our

friends, on the other side about the tyrant at the White House who is always usurping congressional authority. But he usurps it because there is not even a fight.

And I have opposed expanding authority for the executive, regardless of who sits in the chair. So we now have the line item veto, balanced budget amendment to the constitution, and we now have to ask for water resources reform and development. We have a moratorium on earmarking. And to get around all of this, we come up with these arguments to artificially get us to where we are today.

Now, we all support what these people have done. It is terrific. But the way we are doing this, as opposed to the way we used to do it, we are surrendering our institutional prerogatives and responsibilities. And I have seen it happen time and again, and then in the next breath complain about the executive who takes our authority.

There is a good reason that Congress is mentioned as the first branch of government, and it is actually to oversee the executive. So here, in order to get past this kind of once again chicanery, we decide that we are going to come up with this artificial mechanism to accomplish an end for good people who now have waited a long time to see this happen when this could have been done the way it was once done in Congress, through what we call the regular order.

So I support the legislation. It is a benefit to our manufacturers. These are all nice stories that everybody told today. But I want to tell you, at some point the executive does become all-powerful because the legislative branch does not stand up for its institutional responsibilities and prerogatives. And I think there is a profound inconsistency with what we do.

To our panelists: How long have you waited for this legislation to be passed?

\*Mr. Oehmig. 2012. I mean, we were hugely disappointed when it expired. I mean, it was very impactful on us then from a planning perspective. So we have certainly been --

\*Mr. Neal. So four years?

\*Mr. Oehmig. Yes.

\*Mr. Neal. Ma'am?

\*Ms. Grove. On the golf bag flats, it has been just those few years. But on the golf clubs, we have not had that relief yet. So we proposed it, but at the time we proposed it and got the whole golf industry involved and, happy to say, came up with something that worked, the MTB was not being considered any more. So we have waited for decades.

\*Mr. Neal. Decades.

\*Ms. DiDomenico. Yes. We have also been waiting four years, and we have been here every year asking for this bill to pass.

\*Mr. Schreiner. Yes. Similar, and prior to 2012. The uncertainty of it consumes an awful lot of customer conversations when we could be talking about more productive things about how to drive more innovation and how to create more jobs.

\*Mr. Neal. Mr. Chairman, there is a time when this would have moved through the Congress on a bipartisan basis without having to resort to the gimmickry that we have now to get around promises that were perhaps ill-considered when they were made. I yield back my time.

\*Chairman Reichert. Thank you, Mr. Neal. I have just been here about 11 years, and I remember those days. So I just look like I have been in Congress 40 years. I had a career before this.

[Laughter.]

\*Chairman Reichert. But also point out that I just became the chairman in December and look where we are today, Mr. Neal.

\*Mr. Neal. Would the gentleman yield?

\*Chairman Reichert. I will yield.

\*Mr. Neal. You can undo it right now and we will make like we did not even notice.

[Laughter.]

\*Chairman Reichert. Well, I know that Mr. Neal and folks on his side of the aisle recognize that there are some of us on the Republican side of the aisle that agree wholeheartedly with the views that he has just expressed. And some of us have been vocal about that. And the next gentleman that you are about to hear from, Mr. Kelly, I know is in that group, too.

So Mr. Kelly, you are recognized. I hope, anyway.

\*Mr. Kelly. Thank you, Chairman.

But I want to thank all of you for being here. So much of what we talk about when we are in session is policy. But what we do not talk about is the people that the policy affects. So you showing up, you are the face of what it is that we have to address. It is not just some kind of an ideological discussion or a debate. It is about how we are harming you in a way that makes you uncompetitive in a global economy.

And so every one of you -- and I was looking through it. Mr. Oehmig, you talk about Sunbrella and the fact that you can no longer buy the fabric you need because -- you cannot buy it stateside because it is not produced stateside. Right? So you have to get it from outside?

\*Mr. Oehmig. That is correct.

\*Mr. Kelly. And Ms. DiDomenico, you talk about Dianil. Right? And, I mean, this is stuff that -- you use these things to make colors. So is this Dianil only available from certain sources?

\*Ms. DiDomenico. Yes. There are only a few sources, and they are all overseas.

\*Mr. Kelly. They are all overseas. Okay.

So we go to Gore-Tex, and what you talked about, I was trying to understand, and maybe you can help me on this. You talked about a versatile polymer called ePTFE. I have absolutely -- I see it -- it is kind of bracketed, what it is, but I will not even try to say it. Where do you have to get that material?

\*Mr. Schreiner. That material is produced domestically.

\*Mr. Kelly. It is produced domestically?

\*Mr. Schreiner. Yes.

\*Mr. Kelly. Okay. And Ms. Grove, on the --

\*Mr. Schreiner. The feed stocks for that material as well are produced domestically.

\*Mr. Kelly. Yes. And Ms. Grove, your company produces golf clubs. But you are in a global economy. We are all fighting for the same thing. I am an automobile dealer, and on the side of every new car is what they call a Monroney label. But also on the Monroney label, in addition to each item -- and, by the way, the cost on any particular car is the same no matter whether you buy it in Detroit, where it is produced, or whether you buy it in Miami. It is the same price. They have equalized the pricing on it -- but also, in addition to that, is the content of how these products are made. It is the end product.

Now, there are a lot of people that make small things that go into the end product of a big thing-- that you put out in the market. And I think what we are trying to get to is, why would your own government make it harder for you to be successful? Especially when all the revenue we derive is from people who are successful. It just doesn't fit, and I am not sure I understand.

Maybe, Mr. Neal, you have been here a lot longer, and maybe, Mr. Rangel, you have, too, and Sheriff, you and I have been together here for a couple years. I am just trying to think. So if you really wanted to make yourself globally competitive, and you wanted to be on the shelf at the same price as other people, and you wanted to be able to building buildings, and you wanted to be able to invest in equipment, and you wanted to be able to hire people and train people and provide all these wonderful revenues, we have to make you equal, at least being on a level playing field. Why would we make it harder for you?

And so I am with you, Mr. Neal. I mean, it is just bizarre. So the people we rely on for all the revenue, we are going to make it harder for them to be successful, and then we are going to hold them accountable for wanting to leave. It does not make sense.

Listen, I am out of time. But I think also, not only -- am I out of time? You are out of time, too. You need a government that is going to respond to make sure that you can compete globally. And if we think this is a problem or we cannot get through because it has some kind of political implication, let me just say, too often politics interfere with policy that is good for people.

Thank you all for being here. You are the face of America, and you are the face of people who provide every single penny that this government uses to provide all these wonderful services to folks. So thanks so much.

Chairman, thank you.

\*Chairman Reichert. You are welcome. We always let Mr. Kelly go a few minutes extra.

[Laughter.]

Mr. Tiberi, do you have --

\*Mr. Tiberi. Yes. Thank you, Mr. Chairman. Thank you for your leadership on this.

And Mr. Neal, you are starting to convince me on some of these issues. I will yield.

\*Mr. Neal. It has been a long haul.

[Laughter.]

\*Mr. Tiberi. But I want to challenge your narrative here on one issue. So if we had not given up our authority on earmarks, I still doubt that that would have had any impact on this Administration on the overtime rules that I just met with a group of small businesses on, or the fiduciary rule, which you are quite familiar with, or the power plant rules, or the immigration rules, or the EPA rules, or the Waters of the USA rules.

\*Mr. Neal. Right.

\*Mr. Tiberi. And I could go on. So I do not know that that would have stopped them from doing what they are doing, which is --

\*Mr. Neal. Would the gentleman yield?

\*Mr. Tiberi. Yes, I will. Go ahead.

\*Mr. Neal. There is a slow encroachment of executive authority that dates to the founding of the country.

\*Mr. Tiberi. Great.

\*Mr. Neal. And every time that we forfeit the responsibility, they take more. But in this instance here -- and the cases, by the way, you have used as an example on the DOL rule, I was willing to challenge my own administration.

\*Mr. Tiberi. Yes. You were one of the few.

\*Mr. Neal. We need to do that from time to time.

\*Mr. Tiberi. I agree. I agree.

\*Mr. Neal. I mean, that is congressional authority.

\*Mr. Tiberi. So Ms. DiDomenico, you clearly understand, based upon your testimony, the challenges that we have had here internally in dealing with this rule. But we also have, and I think there would be bipartisan agreement, that even within this own body, there is a lot of misunderstanding of what an MTB is, including a notion that cuts on businesses like those of you who are here today on these tariffs -- or tax cuts on American business, essentially -- somehow will increase Congressional spending. And some believe that this is also an earmark.

Can you, in layman's terms, expand upon your testimony and tell Members of Congress for the record why you may not believe that?

\*Ms. DiDomenico. Yes. By the money that we would save on these duties, we would be able to employ one or two more people just for one raw material alone. Then you compound that for all the other raw materials that we are purchasing, and we could employ many more people, invest back in our company, and that money, through income taxes and other ways, would go back to the government. So to say the government is losing out on revenue, I do not think that is a true statement.

And to say that it is an earmark, we do not think that is the case because although one company may submit the MTB, there could be several other manufacturers that are using that same product. So we also do not feel that it is an earmark.

\*Mr. Tiberi. Thank you so much. My time is expired. Thank you, Mr. Chairman.

\*Chairman Reichert. Thank you.

Mr. Holding?

\*Mr. Holding. Thank you, Mr. Chairman. Mr. Chairman, I want to thank you, and I want to thank the subcommittee staff for working hard to come up with the MTB that we are here to talk about today.

This particular issue, the MTB issue, is one of the principal reasons that I sought to join the Ways & Means Committee and become the first Republican in 30 years from North Carolina to serve on the Ways & Means Committee. It is an important issue for North Carolina.

And Glen Raven, Mr. Oehmig, the CEO of Glen Raven, it is an honor for me to have you all here today. Glen Raven is a North Carolina institution. And Mr. Chairman, I would point out that this is a 130-year-old American textile company. The textiles have taken hits over the years, but it is companies like Glen Raven and the family behind Glen Raven that have embraced innovation and made the commitment and sacrifices that ultimately are paying off today with a thriving company.

So Mr. Oehmig, a quick question to you. I understand Glen Raven has recently announced some exciting changes and investments into your Sunbrella design and manufacturing operations in North and South Carolina. So if you could just share briefly a few more details about this and how an MTB would support and enhance these efforts.

\*Mr. Oehmig. Yes. Thank you, Congressman. As mentioned earlier, I mean, we have continued to invest heavily in Sunbrella even despite paying the tariffs. It is the growth engine for our business. We have a thriving textile industry in the U.S., but it is driven by innovation and product differentiation and really continuing to separate ourselves.

And so for us in the U.S., I mean, we continue to invest in assets. We continue to expand our manufacturing capabilities. We recently realigned one of our plants in Western North Carolina in an area that badly needs the employment. We saved 175 jobs there aligning that with the growth engine of our business, being Sunbrella. So we are certainly expanding there.

And we have some of the most well-known furniture designers and fabric designers from around the world that are now coming to North Carolina because they want exclusive designs, and they want to collaborate with us on their design activities.

And so in order to do that, we have, as I mentioned earlier, announced an investment that we are executing now of more than \$20 million to create a design center that will be a source of pride for North Carolina, and obviously a source of opportunity for job creation as we are bringing in customers and prospective customers from around the world.

\*Mr. Holding. Thank you very much. I yield back.

\*Chairman Reichert. Thank you all for your testimony and for taking time out of your busy schedule to be here. And I want to just end on this note, Mrs. Graves. I appreciate your comment about the thoroughness of ITC. I think that is one question that some members have come to me about. I think it is great to hear from the private sector as to what your -- at least your opinion is of that process.

And as we look at this piece of legislation, recognizing that the process begins with the private sector coming to ITC with a request, a review and analysis occurring, recommendations then being made by ITC to Congress through the Ways & Means Committee, another review process by the chairman and the committee members, cannot add to that recommendation but can subtract from it. Adding to would then, of course, enact the earmark rule. So we cannot do that.

And then it goes to the floor for a vote. And the Senate, of course, through their rules on their side of the legislative body in processing legislation, it would go through a similar process.

So the final, to Mr. Neal's point that he was making earlier -- I understood what he was trying to say. But the final say is held in the hands of Congress, not in the hands of the President. The review process, the public presentation of the ITC recommendation, sits right here in the Ways & Means Committee. And that process starts with the chairman sharing that information with the public and then moving forward with legislation.

So appreciate everyone's participation today. And again, thank you so much for your testimony, and look forward to next week's markup and a vote soon. This hearing is adjourned.

[Whereupon, at 3:10 p.m., the Subcommittee was adjourned.]

### **[Public Submissions for the Record](#)**