Crapo Statement at Hearing on Domestic Manufacturing
March 12, 2024

Washington, D.C.--U.S. Senate Finance Committee Ranking Member Mike Crapo (R-Idaho) delivered the following statement at a hearing entitled "American Made: Growing U.S. Manufacturing Through the Tax Code".

As prepared for delivery:

"Thank you, Mr. Chairman.

"During last Thursday's State of the Union address, using 'fair share' rhetoric, President Biden laid out his plans for making American manufacturers more competitive: tax them more.

"President Biden's proposed 28 percent corporate rate—about 32 percent when including state taxes—would leave the U.S. with one of the highest rates in the developed world.

"It gets worse: Biden would also hike the Democrats' book minimum tax, a fundamentally flawed proposal which harms American manufacturers, by 40 percent to 21 percent. Contrast that vision with what Republicans actually did in 2017.

"Prior to the Tax Cuts and Jobs Act (TCJA), the U.S. had one of the highest corporate income tax rates among developed countries. In 2017, Republicans lowered the rate and broadened the base, putting a stop to corporate inversions.

"It led to one of the strongest economies in generations prior to the pandemic: unemployment dropped to a 50-year low, economic gains flowed to all demographic groups and income levels and American businesses reported record R&D investment.

"In the words of former President Obama's economic advisor, Jason Furman, 'taxes actually do matter.' In response to a recent study on the impact of the TCJA's policy changes on domestic investment, Furman stated: 'These are the most convincing estimates of the response of investment to corporate tax rates that I've ever seen.'

"I agree—tax rates actually do matter. A competitive tax system is instrumental in manufacturers' decision of where to invest. Reducing business tax rates, paired with pro-growth policies like immediate expensing of capital investments, drove historic growth in the manufacturing sector.

"According to the National Association of Manufacturers, in 2018, the year immediately following TCJA's enactment: manufacturing had the best year for job creation in 21 years; manufacturing wages grew at the highest level in 15 years; manufacturing capital investment grew by 4.5 percent; and manufacturing production grew 2.7 percent, with December 2018 being the best month for manufacturing output since May 2008.

“Stability of tax policy is also key to maintaining strong manufacturing in the United States. We must protect the TCJA’s pro-growth tax policies and seek to make them permanent before they expire in 2025. We should also look to improve and build on those policies to ensure U.S. companies and workers can continue to compete globally.

“Another area of continued bipartisan interest is bolstering the domestic supply chain of semiconductors. American semiconductor manufacturers, represented here today by Onsemi, are operating in an increasingly competitive market.

“While we must be circumspect when considering industry specific tax incentives, bolstering domestic manufacturing of semiconductors is vital to safeguarding national security.

“Chairman Wyden and I have worked closely over the years on proposals to strengthen the U.S. semiconductor supply chain. The Advanced Manufacturing Investment Credit (AMIC) is the result of that bipartisan effort and has already led to increased investment across the U.S.

“In my home state of Idaho, Micron announced that it will construct a new memory chip plant, the first new memory semiconductor manufacturing fab built in the U.S. in the last 20 years.

“This expansion ensures the semiconductor industry will continue to innovate and develop new technologies that keep Idaho on the leading edge for research and development.

“In contrast to this bipartisan effort, the costs of the Inflation Reduction Act (IRA) energy incentives have quickly mushroomed from the original JCT score of $270 billion over 10 years to a June 2023 estimate of $663 billion. One of our witnesses today will discuss his experience with how the Administration is proposing to implement these incentives in a way that bolsters China and foreign manufacturing.

“Unfortunately, he is not alone: hundreds of domestic stakeholders have provided formal comments to various proposed energy incentive rulemakings which express significant concerns with the implementation of those energy incentives, including two other witnesses here today.

“Congress should closely scrutinize a law that both costs much more than promised and also fails to achieve key goals, like making the U.S. less reliant on our adversaries.

“I look forward to discussing how we can continue to encourage domestic manufacturing activity, including addressing the global semiconductor shortage and supply chain issues.

“Thank you, Mr. Chairman. I yield back.”