



April 15, 2015

The Honorable Orrin Hatch
Chairman
Senate Finance Committee
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Senate Finance Committee
Washington, DC 20510

ACPPA URGES ACTION ON THE CONCRETE PRESSURE PIPE INDUSTRY'S TAX REFORM AGENDA

Chairman Hatch and Ranking Member Wyden:

The American Concrete Pressure Pipe Association (ACPPA), the international trade association representing manufacturers of concrete pressure pipe, appreciates the opportunity to submit comments to the Senate Finance Committee Business Income Tax, Savings & Investment, International Tax, and Community Development & Infrastructure Working Groups.

As the leading producers of concrete pressure pipe, ACPPA member companies are detrimentally impacted by the inefficiencies and uncertainty created by the U.S. Internal Revenue Code's complexities. ACPPA's Board of Direction has adopted the following tax priorities to promote economic growth, infrastructure investment, and a more favorable tax environment for concrete pressure pipe manufacturers and urges the Finance Committee to strongly consider the association's recommendations:

- **Reduce top corporate tax rate to 25 percent.** The top corporate tax rate in the United States is 35 percent, the highest in the industrialized world. Consequently, U.S. companies are at a competitive disadvantage versus foreign competitors. Congress should reduce the top corporate rate to 25 percent or lower to encourage investment in the United States, promote domestic economic growth, and level the playing field for U.S. companies.
- **New funding and financing for long-term infrastructure investment.** Drinking water systems, sewers, and other forms of infrastructure are critical to public health and safety, as well as to economic growth. In recent years, federal infrastructure programs have faced unprecedented challenges. Congress has cut funding for the state revolving loan funds (SRFs) that support drinking water and sewer system construction. Additionally, Congress has been forced to transfer general fund money to shore up the Highway Trust Fund (HTF) because user fee revenues are inadequate to support current investment levels. Tax reform presents an opportunity to address the nation's infrastructure crisis by eliminating the cap on private activity bonds for water infrastructure projects to spur more private investment and creating new user fee revenues to provide a stable source of funding for critical federal infrastructure programs (e.g., the HTF and proposed Clean Water Trust Fund). ACPPA urges Congress to use tax reform as a legislative vehicle to address the nation's infrastructure needs. We also urge Congress to reject changes to "tax favored bonds" that would make it more difficult to attract new capital for infrastructure projects.

- **Promote capital investment.** To grow, create jobs, and become more efficient, manufacturers must constantly invest in new facilities and equipment. Congress should create a more favorable environment for business investment to ensure the long-term economic health of the U.S. manufacturing sector. However, during the 113th Congress, both the House Ways & Means and Senate Finance Committee unveiled proposals that would undermine capital investment by extending cost recovery periods for new capital purchases. This would negatively impact cash flow for manufacturers, limit the resources available for companies to grow and hire, and make it more difficult to invest in newer, more efficient, more environmentally-friendly technology. Other tax code changes – e.g., repealing like-kind exchange – would make it harder to improve productive capacity. We urge Congress to reject these proposals and pursue tax legislation that encourages capital investment, not punish it. We also encourage Congress to at least temporarily reinstate bonus depreciation to encourage further investment in the manufacturing and construction sectors as the economy continues to recover from the Great Recession.
- **Encourage manufacturing research and development.** Constant innovation is critical to success in manufacturing and to America's continued global economic hegemony. Congress should encourage manufacturers to constantly improve their current products and develop new ones by making the research and development (R&D) tax credit permanent and increasing the alternative simplified credit to 20 percent. Congress should also reject proposals to narrow the scope of the credit (e.g., by disallowing the credit for software and raw materials used in R&D).
- **Encourage domestic production.** The domestic manufacturing deduction (DMD) helps offset some of the negative impact of the high corporate tax rates faced by U.S. manufacturers. Eliminating DMD would result in a higher effective tax rate for domestic manufacturers, which could affect decisions about where ACPPA members locate new facilities. It could also affect the decisions of suppliers to the concrete pressure pipe industry about where to open new plants. ACPPA urges Congress to maintain the DMD.
- **Improve international tax rules.** Current tax laws regarding multinational corporations owned or operating in the U.S. are hopelessly out of date and result in considerable economic distortions, including reducing capital available for investment in the U.S. and complex strategies to mitigate tax liability. As part of any comprehensive tax reform, Congress should update international tax rules to improve the tax environment both for U.S. companies operating internationally and for U.S. subsidiaries of foreign companies.
- **Allow current year advertising-cost expensing.** Advertising promotes competition in a free market economy and is a basic way for manufacturers to communicate with customers about product innovations. ACPPA urges Congress to reject proposals to change the tax treatment of advertising costs, which would impact manufacture cash flow and make it more difficult for pipe manufacturers to raise awareness about their products.
- **Maintain deductibility of local lobbying expenses.** Local governments are a primary purchaser of concrete pressure pipe. Consequently, ACPPA members engage frequently with local officials to educate them about the benefits of concrete pressure pipe and encourage its use. ACPPA urges Congress to reject changing the tax treatment of local lobbying expenses to ensure its continued deductibility as an ordinary and necessary business expense. Altering the current tax treatment would make it more expensive for manufacturers to seek positive local legislative outcomes on infrastructure and other issues.

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ACPPA looks forward to working with the Senate Finance Committee to ensure the long-term competitiveness of the manufacturing sector. Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Richard Mueller". The signature is fluid and cursive, with a long horizontal stroke at the end.

Richard Mueller

President

cc: Business Income Tax Working Group
Community Development & Infrastructure Group
International Tax Working Group
Savings & Investment Working Group