



FOR IMMEDIATE RELEASE
March 6, 2012

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BAUCUS EXAMINES U.S. MANUFACTURING, CAPITAL INVESTMENT TAX INCENTIVES

Finance Chair: We Need to Find the Best and Most Efficient Ways to Boost American Manufacturing

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today examined the effectiveness of tax rules to boost U.S. manufacturing and capital investment, create jobs and help our economy grow. At a Committee hearing, Baucus sought to determine whether the existing incentives deliver the best possible bang for the buck.

“U.S. manufacturing plays a unique role in the American economy. Manufacturing spurs innovation and pays good wages,” Baucus said. **“We need to find the best and most efficient ways to boost American manufacturing. If we want these good-paying jobs to stay in the United States, we need manufacturing to stay here.”**

There are numerous incentives in the tax code designed to encourage manufacturing, and manufacturers claim more than a quarter of the incentives aimed at boosting capital investment as well. Manufacturing plays a critical role in technological innovation and high-tech employment. Manufacturing made up 11 percent of the economy in 2008, but it contributed 68 percent of U.S. corporate spending on research and development. And in 2010, it employed 35 percent of all engineers in the country. The average wage for manufacturing workers is also eight percent higher than for workers with the same level of education. But despite its importance, manufacturing is a declining percentage of the economy. After World War II, manufacturing made up more than one quarter of the economy’s total output. Today, it makes up just one tenth.

At the hearing, Baucus said the tax reform process should assess the effectiveness of the current incentives for manufacturing and capital investment, like the section 179 and 199 deductions and the accelerated depreciation provision. Baucus asked whether these incentives are more effective than a rate reduction of equal cost and whether there could be simpler, more effective ways to encourage manufacturing.

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