

(January 24, 2008) Lipinski Helps Introduce Bipartisan Bill to Stimulate the Economy...

Lipinski Helps Introduce Bipartisan Bill to
Stimulate Economy, Create American Jobs

[WASHINGTON, D.C.] Rep. Dan Lipinski (D-IL) joined Don Manzullo (R-IL) in introducing legislation to stimulate the economy by accelerating an existing tax incentive to help manufacturers create and keep jobs in America.

The American Jobs Creation and Economic Stimulus Act of 2008 (HR 5101) would speed up a domestic manufacturing tax deduction to give large and small manufacturers a larger tax break on the goods they produce in the United States. The tax deduction currently provides a 6 percent tax rate reduction for manufacturers on the goods and services they produce in the United States. The tax rate reduction is scheduled to increase to 9 percent by 2010, but the bill that Lipinski and Manzullo introduced today would accelerate the phase-in to 9 percent retroactively to Jan. 1, 2008.

"With middle class families having been squeezed for years and the current downturn promising more hardships, our economy is in desperate need of a shot in the arm that will help America's middle class," said Rep. Lipinski. "This bill does just that by making it easier for U.S. manufacturers to employ American workers. Manufacturing jobs are essential for strengthening and expanding the American middle-class. In the Chicago region - and especially in the Third District - where manufacturing has traditionally played an important role in the local economy, this bill will have a real positive impact on many working families."

"This legislation gives our manufacturers an extra 3 percent cut in their tax rate immediately that they can use to expand and create jobs in America. It also provides a greater incentive for our manufacturers to keep jobs in the United States because they would pay a 9 percent tax penalty on any work they send offshore," Rep. Manzullo said. "This legislation would provide a tremendous stimulus to our economy while helping our manufacturers create good-paying jobs and keep them at home in America. It should be included in any economic stimulus bill Congress considers in the next few weeks."

The domestic manufacturing tax deduction was authored by Rep. Manzullo and others in 2004 during debate over how to replace the Foreign Sales Corporation/Extraterritorial Income (FSC/ETI) program that provided tax incentives to U.S. exporters. The World Trade Organization had ruled FSC/ETI an illegal subsidy and forced Congress to eliminate it. During debate over how to replace FSC/ETI, Congress agreed to spread the deduction to both small and large manufacturers and limit the eligibility to domestic production to encourage manufacturers to keep jobs in the U.S.

According to the Internal Revenue Service, 402,710 small manufacturers that paid taxes at the individual rate (S-Corporations, LLCs, partnerships and sole proprietorships) in 2006 and 41,668 larger manufacturers that paid corporate income taxes in 2005 (2006 corporate figures not yet available) benefited from the manufacturing tax deduction.