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SUBMITTED MATERIAL

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THE BENEFITS OF TAX REFORM ON THE ENERGY SECTOR AND CONSUMERS

WEDNESDAY, JUNE 20, 2018

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ENERGY,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:03 a.m., in room 2123, Rayburn House Office Building, Hon. Fred Upton (chairman of the subcommittee) presiding.

Members present: Representatives Upton, Olson, Barton, Shimkus, Latta, Harper, McKinley, Griffith, Johnson, Long, Bucshon, Flores, Mullin, Hudson, Walberg, Duncan, Walden (ex officio), Rush, Mc Nerney, Green, Doyle, Castor, Sarbanes, Tonko, Loeb sack, Kennedy, and Pallone (ex officio).

Staff present: Jennifer Barblan, Chief Counsel, Oversight and Investigations; Mike Bloomquist, Staff Director; Samantha Bopp, Staff Assistant; Kelly Collins, Legislative Clerk, Energy/Environment; Wyatt Ellerton, Professional Staff Member, Energy/Environment; Margaret Tucker Fogarty, Staff Assistant; Ali Fulling, Legislative Clerk, Oversight and Investigations, Digital Commerce and Consumer Protection; Jordan Haverly, Policy Coordinator, Environment; Zach Hunter, Director of Communications; Milly Lothian, Press Assistant and Digital Coordinator; Mary Martin, Chief Counsel, Energy/Environment; Sarah Matthews, Press Secretary; Drew McDowell, Executive Assistant; Brandon Mooney, Deputy Chief Counsel, Energy; Mark Ratner, Policy Coordinator; Annelise Rickert, Counsel, Energy; Austin Stonebraker, Press Assistant; Madeline Vey, Policy Coordinator, Digital Commerce and Consumer Protection; Hamlin Wade, Special Advisor, External Affairs; Andy Zach, Senior Professional Staff Member, Environment; Jeff Carroll, Minority Staff Director; Rick Kessler, Minority Senior Advisor and Staff Director, Energy and Environment; John Marshall, Minority Policy Coordinator; Alexander Ratner, Minority Policy Analyst; Andrew Souvall, Minority Director of Communications, Member Services, and Outreach; and Tuley Wright, Minority Energy and Environment Policy Advisor.

Mr. UPTON. Good morning, everybody. The Chair would recognize myself for an opening statement.
OPENING STATEMENT OF HON. FRED UPTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

So welcome to today’s hearing where we are going to be focusing on the benefits of the tax reform on the energy sector and consumers.

As we all know, last December Congress passed the Tax Cuts and Jobs Act of 2017. This new law is the most comprehensive rewrite of the Tax Code in more than 30 years. Across the country, its impact on our economy is already evident in the form of reduced tax burdens and more money in the pockets of middle-class Americans.

Today we are going to focus on the effects of tax reform on the energy sector. I would like to welcome our witnesses who will share their perspectives on how that reform is impacting their businesses.

Across the country, the Tax Cuts and Jobs Act is resulting in widespread economic benefits, providing tangible relief for American workers and their families. The savings resulting from tax reform is now beginning to reinvigorate our national economy and a renewed confidence and the lower cost of doing business is resulting in bigger paychecks, more jobs, and, yes, more benefits.

It is not just political rhetoric. We actually are seeing the benefits of tax reform across the U.S. economy.

Since the beginning of 2018, the country’s GDP has risen by 2.2 percent. Small business owners are experiencing the benefits of tax reform, with over three-quarters indicating that they believe the current business climate is heading in a positive direction and 87 percent expecting that it will have a positive impact on the economy.

The savings from tax reform are allowing these companies to reinvest in their employees through wage increases, in bonuses, and more benefits.

These perceptions are also supported by the hard numbers. According to CBO, the Tax Cuts and Jobs Act is estimated to grow wages by $1.2 trillion over the next decade.

In Michigan, Penske Automotive recently announced that, as a result of tax reform, they would increase company matching 401(k) contributions for employees from 1.5 to 2.5 percent.

The benefits of tax reform can be measured by employment numbers as well. Businesses are increasing hiring new employees. Last month, 223,000 new jobs were created. In addition, there are 6.7 million job openings with only 6.4 million available workers to fill them—obviously, more jobs than people out of work, something the American economy has never before experienced.

Energy companies have experienced firsthand the benefits of the recent tax reform. Since the passage of the Tax Cuts and Jobs Act, utility companies in 49 out of 50 States and DC have taken action to pass their tax savings on to their customers. In Michigan, several utilities, such as Consumers and DTE Energy, have publicly announced their plans to pass on those savings to Michigan families and businesses.

Utility savings are happening all over the country. Currently, at least 102 utilities across the U.S. have lowered rates for consumers, and they are now seeing lower utility bills for their elec-
tricity, gas, and water. In Michigan, my State, it will result in DTE Energy passing along a savings of more than $190 million to their 3.5 million customers.

Notably, FERC is also acting to ensure that reduction in the corporate income tax rate is reflected in the rates charged by the electric transmission, natural gas, and oil pipeline companies that it regulates.

Tax reform also has helped spur economic growth and investment for our Nation’s infrastructure sector and enabled the build-out of more energy infrastructure.

Recently, again in Michigan, our own ITC Holdings, an independent transmission company, announced that it would reduce its customer rates as a result of the lower tax rate. For capital intensive infrastructure tax reform is allowing greater long-term stability for large projects with longer construction timelines, and that translates into more American jobs and, indeed, helps strengthen our Nation’s economy.

So today’s witnesses represent businesses that are on the front line and have already experienced some of the effects of tax reform.

Thank you for being with us today. We look forward to your testimony on how the bill has impacted your businesses, employees, and customers.

[The prepared statement of Mr. Upton follows:]

PREPARED STATEMENT OF HON. FRED UPTON

Good morning and welcome to today’s hearing where we will be focusing on the Benefits of Tax Reform on the Energy Sector and Consumers. As you know, last December Congress passed the Tax Cuts and Jobs Act of 2017. This new law is the most comprehensive rewrite to the tax code in more than three decades. Across the country, its impacts on our economy are already evident, in the form of reduced tax burdens and more money in the pockets of middle-class Americans. Today, we’ll be focusing on the effects of tax reform on the energy sector and I’d like to welcome our witnesses who will share their perspectives on how tax reform is impacting their businesses.

Across the Nation, the Tax Cuts and Jobs Act is resulting in widespread economic benefits, providing tangible relief for American workers and their families. The savings resulting from tax reform is now beginning to reinvigorate our national economy and a renewed confidence and lower cost of doing business is resulting in bigger paychecks, more jobs, and more benefits. This is not just political rhetoric—we are actually seeing the benefits of tax reform across the United States economy. Since the beginning of 2018, the country’s GDP has risen by 2.2 percent.

Small business owners are experiencing the benefits of tax reform, with over threequarters indicating they believe the current business climate is heading in a positive direction, and 87 percent expecting that it will have a positive impact on the economy. The savings from tax reform are allowing these companies to reinvest in their employees through wage increases and bonuses. These perceptions are also supported by hard numbers. According to the nonpartisan Congressional Budget Office, the Tax Cuts and Jobs Act is estimated to grow wages by $1.2 trillion over the next decade. In my home State of Michigan, Penske Automotive recently announced that as a result of tax reform, they would increase company matching 401(k) contributions for employees from 1.5 percent to 2.5 percent.

The benefits of tax reform can be measured by employment numbers, too. Businesses are increasingly hiring new employees. In fact, just last month, 223,000 new jobs were created. In addition, there are 6.7 million job openings and just 6.4 million available workers to fill them, meaning there are more jobs than people out of work—something the American economy has never experienced before.

Energy companies have experienced first-hand the benefits of the recent tax reform. Since the passage of the Tax Cuts and Jobs Act, utility companies in 49 out of 50 States, and DC, have taken action to pass their tax savings on to their customers. In my home State, several utilities, such as Consumers and DTE Energy, have publicly announced their plans to pass on their savings to Michigan families.
Utility savings are happening all over the country. Currently, at least 102 utilities across the United States have lowered rates for customers and American consumers are now seeing lower utility bills for their electricity, gas, and water services. In Michigan, this will result in DTE Energy passing along a savings of more than $190 million to their 3.5 million customers. Notably, the Federal Energy Regulatory Commission is also acting to ensure that the reduction in the corporate income tax rate is reflected in the rates charged by the electric transmission, natural gas and oil pipeline companies that it regulates.

Tax reform also has helped spur economic growth and investment for our Nation’s manufacturing sector and enabled the build-out of more energy infrastructure. Just recently Michigan’s own ITC Holdings, an independent transmission company, announced it would reduce its customer rates as a result of the lower tax rate. For capital-intensive infrastructure, tax reform is allowing greater long-term stability for large projects with longer construction timelines. This translates into more American jobs and helps strengthen our Nation’s economy.

Today’s witnesses represent business that are on the front line and have already experienced some of the effects of tax reform. Thank you again for being here today, and I look forward to hearing your firsthand accounts of how the tax bill has impacted your businesses, employees, and customers.

Mr. Shimkus, In your last 42 seconds, can I have your time?

Mr. Upton. Yes. I yield to the gentleman from Illinois.

Mr. Shimkus. Thank you.

We always want to welcome our visitors. I want to make a special shoutout to Mr. Sam McCammon, who is president of Anamet Electrical, Incorporated, which operates out of Mattoon, Illinois, which is in the 15th District of Illinois.

We are happy to have you and look forward to hearing your testimony.

With that, Mr. Chairman, thank you for the time. I yield back.

Mr. Upton. Thank you.

The Chair would recognize the ranking member of the full committee for an opening statement, Mr. Pallone.

OPENING STATEMENT OF HON. FRANK PALLONE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. Pallone. Thank you, Mr. Chairman.

This hearing is nothing more than a blatant attempt by the Republican majority to tout its unpopular tax scam in the hopes that middle-class Americans, who are not seeing any substantial benefits from the new law, might just reconsider their opposition. And I wouldn’t bet on it.

The GOP tax scam remains enormously unpopular with the American people. They understand that the new law overwhelmingly benefits the wealthy and corporate interests while saddling them with rising healthcare costs, higher taxes on middle-class homeowners, and drowning their children in new debt.

In fact, a poll released by Monmouth University on Monday shows that the majority of Americans are not fooled by this scam. Only 34 percent of the public approves of the Republican tax law, and the poll found that it is actually becoming less popular with time, dropping 6 points in approval since late April.

Republicans are obviously focusing this hearing around businesses, because it is the corporate sector and the wealthy owners who reap the main benefits of the GOP tax scam, not middle-class wage earners or their families. Since passage of the bill in December, real average hourly earnings have not budged.
In fact, a recent Washington Post analysis of the data released by the Trump administration’s Bureau of Labor Statistics showed that real average hourly earnings year over year have actually gone down slightly.

So it is easy to see why Republicans don't want to focus on the bill's impact on real wages for working Americans.

Now, even if you are a middle-class family who thought you might benefit from the GOP tax scam, chances are the policies pushed by President Trump and congressional Republicans have more than wiped out that benefit.

For instance, healthcare premiums are on the rise thanks to the tax bill eliminating the Affordable Care Act’s individual mandate. The Congressional Budget Office recently stated that the average premium for a benchmark health plan is about 34 percent higher than it was in 2017. And CBO and the Joint Committee on Taxation actually expect premiums for these plans to increase by an additional 15 percent from 2018 to 2019 as a result of the GOP tax bill's provisions.

From an energy perspective, gas prices at the pump are also going up, thanks in large part to President Trump’s reckless Middle East policy and his rollback of fuel economy standards. In the last 3 months, those actions have helped feed a 40-cent spike in the price of gas.

In fact, the price at the pump has risen nearly 25 percent since President Trump took office. Analysts at Morgan Stanley have estimated that the increase this year alone will probably devour a full third of any savings people might have seen from the GOP tax plan.

For those in my home State of New Jersey, the GOP tax scam has been particularly painful. Elimination of a huge portion of the State and local tax deduction is increasing taxes on people who already pay huge amounts of Federal tax.

And it is not just New Jersey. The same is true for middle-income homeowners in New York, California, Illinois, Connecticut, Oregon, Massachusetts, Minnesota, and Rhode Island. Taxpayers in Pennsylvania, Wisconsin, and Virginia will also feel the pinch.

So Americans understand that the GOP tax scam bill is only rewarding the wealthiest among us while drowning our children's future in a sea of debt. It has already increased the debt to $20 trillion, and CBO has predicted that the annual budget deficits will start to hit the $1 trillion mark by 2020.

And what do Republicans do when they create deficits by cutting taxes without paying for it? They then propose cuts to Social Security, Medicare, and Medicaid. Speaker Ryan has already talked about so-called reform of these popular programs, and now the Republican budget proposal unveiled just yesterday includes drastic cuts to all three programs.

So, Mr. Chairman, the Republican tax law is a scam that benefits the wealthy and the corporate interests. The American people are not fooled, and no rhetoric thrown out today is going to change that fact.

I don't know if anybody wants my extra minute. If not, I will yield back.

[The prepared statement of Mr. Pallone follows:]
This hearing is nothing more than a blatant attempt by the Republican majority to tout its unpopular Tax Scam in the hopes that middle-class Americans—who are not seeing any substantial benefits from the new law—might just reconsider their opposition.

I wouldn’t bet on it. The GOP tax scam remains enormously unpopular with the American people. They understand that the new law overwhelmingly benefits the wealthy and corporate interests, while saddling them with rising health care costs, higher taxes on middle-class homeowners, and drowning their children in new debt.

In fact, a poll released by Monmouth University on Monday shows that the majority of Americans are not fooled by this scam—only 34 percent of the public approves of the Republican tax law. And, the poll found that it is actually becoming less popular with time—dropping six points in approval since late April.

Republicans are obviously focusing this hearing around businesses because it is businesses and their wealthy owners who reap the main benefits of the GOP tax scam, not middle-class wage earners or their families.

Since passage of the tax bill in December, real average hourly earnings have not budged. In fact, a recent Washington Post analysis of the data released by the Trump administration’s Bureau of Labor Statistics showed that real average hourly earnings year over year have actually gone down slightly. So, it’s easy to see why Republicans don’t want to focus on their bill’s impact on real wages for working Americans.

Even if you are a middle-class family who thought you might benefit from the GOP tax scam, chances are the policies pushed by President Trump and Congressional Republicans have more than wiped out that benefit. For instance, health care premiums are on the rise thanks to the tax bill eliminating the Affordable Care Act’s individual mandate. The Congressional Budget Office recently stated that the average premium for a benchmark plan is about 34 percent higher than it was in 2017. And CBO and the Joint Committee on Taxation actually expect premiums for these plans to increase by an additional 15 percent from 2018 to 2019 as a result of the GOP tax bill’s provisions.

From an energy perspective gas prices at the pump are also going up thanks in large part to President Trump’s reckless Middle East policy and his rollback of fuel economy standards. In the last three months, those actions have helped feed a 40-cent spike in the price of gas. In fact, the price at the pump has risen nearly 25 percent since President Trump took office. Analysts at Morgan Stanley have estimated that the increase this year alone will probably devour a full third of any savings people might have seen from the GOP tax plan.

For those in my home State of New Jersey, the GOP tax scam has been particularly painful. The elimination of a huge portion of the State and local tax deduction is increasing taxes on people who already pay huge amounts of Federal tax. It’s not just New Jersey—the same is true for middle-income homeowners in New York, California, Illinois, Connecticut, Oregon, Massachusetts, Minnesota, and Rhode Island. Taxpayers in Pennsylvania, Wisconsin, and Virginia will also feel the pinch.

Americans understand that the GOP tax scam bill is only rewarding the wealthiest among us, while drowning our children’s future in a sea of debt. It has already increased the debt to $20 trillion, and CBO has predicted that annual budget deficits will start to hit the $1 trillion mark by 2020.

And what do Republicans do when they create deficits by cutting taxes without paying for it—propose cuts to Social Security, Medicare and Medicaid. Speaker Ryan’s already talked about so-called reform of these popular programs. And now, the Republican budget proposal, unveiled just yesterday, includes drastic cuts to all three programs.

The Republican tax law is a scam that benefits the wealthy and the corporate interests. The American people are not fooled, and no rhetoric thrown out today is going to change that fact.

Mr. Upton. The gentleman yields back.

The Chair recognizes the chair of the full committee, Mr. Walden, for an opening statement.

OPENING STATEMENT OF HON. GREG WALDEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. WALDEN. Well, Mr. Chairman, thank you for having this hearing.
I want to thank our panel of witnesses for being here. You might imagine we have a different point of view on this side of the aisle. It is actually your money to start with, and Government has a lot of waste, fraud, and abuse that needs to be dealt with.

And we are actually growing the economy and growing jobs. The lowest unemployment rates in decades.

And the American people are responding. When you look at right track, wrong track, where the country is headed, it is moving in the right direction. When you look at their confidence in the economy, headed in the right direction.

Then, if you actually get home and talk to people that are affected, like I do every week, I was out in Bend, Oregon, this weekend, and I met with the folks at GoodLife Brewing. That is a little startup, mom-and-pop, family-owned brewery and distillery, started, I don’t know, 6, 8—oh, they started in 2010. It has been 8 years. And they proudly said just the change in the excise tax on beer will save them $75,000.

They said, “We are not putting that in our pocket. We are hiring two more people part-time and investing in new equipment.”

And I said, “And don’t forget, the tax also said you get to write off that equipment right away.”

I was a small business owner for 21 years with my wife. When you have signed the front of a payroll check, it makes a difference and you understand the importance of the changes we made in the Tax Code to grow the economy.

Now, I only visit them because these microbreweries, we have got 243 of them in Oregon, do value-added agriculture. And I want to make sure that those value-added agricultural products are meeting quality assurance. So you have got to do product testing from time to time in this job.

Mr. Shimkus. That is a joke, people.

Mr. Walden. Yes, I know. Couldn’t hear. The door is open.

So I went to the Walmart distribution facility, 816 employees in my district working at Walmart. They all got bonuses. They got their incentive comp, which they earned. And then they are going to get the tax cut.

These are real working people who felt left behind in the past. Between the bonuses and the tax cuts, it could be a couple thousand bucks.

Now, I know Nancy Pelosi and the Democrats think that is crumbs. They said that. They would repeal all this stuff. They never did support it. Not a single Democrat voted to cut taxes in America. And so we did.

And the result was we don’t have to live with a 1.5 percent GDP growth, which is what the Democrats told us America was only capable of.

Instead, we have lifted the dead hand of over-Government regulation and incented the private sector to create new jobs, and they are doing it in record numbers—a million new jobs since the tax cuts were passed just 6 months ago. And as my chairman pointed out, there are now more job openings than there are people to fill them.

Now, that is a heck of a lot better than what we did during the Obama years when we argued about how much longer we needed
to extend unemployment benefits and how we better just settle in at 1.5, 2 percent economic growth. That was their vision for America: regulate, tax, and restrict.

Ours is about freeing up energy, creating new jobs all across America. And I think you are seeing that happen.

Now, those weren’t my prepared remarks, so let me move on to these. When you just live it every day, you kind of see it firsthand.

Because I want to talk about energy, because in my State we are seeing the energy companies say, “We are going to pass on all these savings back to ratepayers and customers.”

And it is across every one of these. So you are going to see not only wage increases that have been announced, tax savings that have been announced, but on your energy bill, reductions. Because under our law, they have got to pass that back.

Now, some of them are still figuring out their rates and everything for next year. But those savings are going to go back in lower heating bills, lower electricity bills, lower energy bills. That is real money for people. They will save.

And so I just, I am glad. We want to hear your stories. I have read your testimony. Look, this is really important.

We are going to see economic growth of 3, some say as much as 4 percent, maybe even higher than that. And you think what that will do. And I just think we should be optimistic about this.

We lived 8 years under their plan. How did that work out for you? Now the kids can move out of their parents’ basement. They don’t have to stare up at the old Obama campaign sign anymore. And they can actually go to work. It is a hell of a deal.

And so we are seeing an economy that is growing. We are seeing a country that is thriving. And we have got new innovation and new opportunity.

And that is what this committee is all about. It is putting the consumer first. It is freeing access to our resources. It is building our broadband. It is cutting through the bureaucratic nightmare that restricts permits and new development. We are moving forward, and it is showing in the numbers.

And with that, Mr. Chairman, I am happy to yield back.

[The prepared statement of Mr. Walden follows:]
to the Treasury Department, ninety percent of Americans are seeing bigger pay
checks. And according to the Council of Economic Advisors, five and a half million
American workers have received bonuses, raises, and other benefits thanks to tax
reform.

In eastern Oregon, the part of the State that I represent, a family earning the
median income of approximately $50,000 per year will pay about $1,300 less under
tax reform. Over the next 8 years, that's more than $10,000 in savings for that fam-
ily.

Over the last several months, I've toured several businesses in eastern Oregon
that are investing back into their businesses and their employees thanks to tax re-
form. These businesses are giving bonuses or raises, hiring more workers, and ex-
anding their operations. Just last weekend I visited Good Life Brewing in Bend.
Due to the reduced excise tax on craft brewers, they are reinvesting in their work-
force and adding to their team.

Consumers are also benefiting from lower monthly bills, as utility companies are
reducing gas, and water rates because of the Tax Cuts and Jobs Act. More
than one hundred utilities across the country have announced plans to lower their
rates. I am pleased to hear that at least three of our Oregon utilities—Avista Cor-
poration, Pacific Power, and Rocky Mountain Power—have all announced that they
plan to pass the benefits of tax cuts on to their customers.

Thanks to tax reform, our economy is coming back to life. I look forward to hear-
ing from our witnesses about how tax reform has positively impacted their busi-
nesses and communities.

Thank you, I yield back.

Mr. UPTON. The gentleman yields back.

The Chair would recognize the ranking member of the sub-
committee, Mr. Rush, for 5 minutes for an opening statement.

OPENING STATEMENT OF HON. BOBBY L. RUSH, A REP-
RESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Rush. I want to thank you, Mr. Chairman.

Mr. Chairman, tax reform is an interesting topic for an Energy
Subcommittee hearing. Why tax reform when we consider we do
not have jurisdiction over tax policy?

Unfortunately, Mr. Chairman, I cannot sit here as if this is busi-
ness as usual when we are currently facing a tragedy that is taking
place as we speak at our southern border. If we are going to devi-
ate in this hearing from the issues that are actually related to our
jurisdiction, then let's deviate, Mr. Chairman.

I believe that time and our Nation would be better served by
speaking up and speaking out against the Trump administration's
mean-spirited, racist, and immoral new policy of separating immi-
grant children from their parents.

Mr. Chairman, this new policy is a blatant attempt to use these
innocent young babies as pawns in the President's sick and twisted
political game for getting what he wants in regards to immigration
policy.

The fact of the matter, Mr. Chairman, is that Republicans con-

Mr. Chairman, babies unborn and babies born must be our Na-

Mr. Chairman, babies unborn and babies born must be our Na-

The silence by so many Republican Members of Congress in light
of so many misguided, asinine, and un-American decisions by this
administration is both shameful and telling.
The fact of the matter, Mr. Chairman, is that either if my Republican colleagues endorse and agree with this policy on separating families at the border for political gain or they are opposed to it and they have decided that their political futures are more important than the character and representation of our great Nation.

Mr. Chairman, Ranking Member Pallone and I, along with many of our Democratic colleagues, will be sending Chairman Walden and Health Subcommittee Chairman Burgess a letter later today requesting a hearing as soon as possible to address this issue.

We need to examine how many of these children have been forcibly separated from their parents and forced into custody of the Department of Health and Human Services’ Office of Refugee Settlement.

We also need, Mr. Chairman, to examine what type of mental and psychological damage and severe trauma that these children are being subject to stemming from this sinister and cynical policy of snatching them from their parents and rounding them up to be put in cages at such early and vulnerable stages of their lives.

As the Irish philosopher and father, Mr. Chairman, of modern conservatism once stated: “The only thing necessary for the triumph of evil is for good men to do nothing.”

Mr. Chairman, we are at a pivotal time in our history, and we can no longer afford for good men to sit back, shake their heads in silence, or whisper about the wrongdoings privately being done behind the scenes.

No, Mr. Chairman, now is the time for Congress to grow a spine and reclaim our constitutional duty as an equal and separate branch of Government ready and willing and able to serve as a check to a President who has seemingly gone mad.

Mr. Chairman, Proverbs 29:2, to quote the Bible, as the Attorney General tried to quote, but let’s quote the Bible, Proverbs 29:2: “When the righteous are in authority, the people rejoice; But when a wicked man rules, the people groan.”

Mr. Chairman, if not now, when? If not us, then who will speak out against this evil?

I can assure you that this will not be the last time this issue comes up during business before this subcommittee. I urge all of my Republican colleagues to finally make their voices heard so we can surely represent the will and the spirit of the American people.

Lastly, Mr. Chairman, as Alexander de Tocqueville once observed: America is great because America is good. If America ceases to be good, then America ceases to be great.

Thank you, and I yield back the balance of my time.

[The prepared statement of Mr. Rush follows:]

Prepared statement of Hon. Bobby L. Rush

Mr. Chairman, tax reform is an interesting topic for an Energy Subcommittee hearing, considering we do not have jurisdiction over tax policy.

Unfortunately, Mr. Chairman, I cannot sit here as if this is business as usual when we have a tragedy taking place as we speak at our southern border.

If we are going to deviate in this hearing from issues actually related to our jurisdiction, then I believe this time would be better served speaking up and speaking out against the Trump administration’s mean-spirited, racist, and immoral new policy of separating immigrant children from their parents.
Mr. Chairman, this new policy is a blatant attempt to use these innocent young children as pawns in the President’s sick and twisted political game for getting what he wants in regards to immigration policy. The fact of the matter is that Republicans control every branch of the Government and they should be able to govern and enact policy that reflects their core values. Ripping young children away from their parents in order to exhort money for a wall is both evil and inhumane and, it is about time that Members of the Republican Party stand up to the entitled blowhard currently occupying the White House. The silence by so many Republican Members of Congress, in light of so many misguided, asinine, and un-American decisions by this administration is both shameful and telling. The fact of the matter is that either my Republican colleagues endorse and agree with this policy of separating families at the border for political gain. Or they have decided that their political futures are more important than the character and reputation of our great Nation. Mr. Chairman, Ranking Member Pallone and I, along with many of our Democratic colleagues, will be sending Chairman Walden and Health Subcommittee Chairman Burgess, a letter later today requesting a hearing as soon as possible to address this issue. We need to examine how many of these children have been forcibly separated from their parents and forced into custody of the Department of Health and Human Services’ Office of Refugee Settlement. We also need to examine what type of damage and severe trauma these children are being subjected to, stemming from this sinister and cynical policy of snatching them from their parents and rounding them up into cages at such an early age. As the Irish philosopher and father of modern conservatism once stated: “The only thing necessary for the triumph of evil is for good men to do nothing.” Mr. Chairman, we are at a pivotal time in our history and we can no longer afford for good men to sit back, shake their heads, and whisper about wrongdoing privately behind the scenes. No, now is the time for Congress to grow a spine and reclaim our Constitutional duty as an equal and separate branch of Government ready and able to serve as a check to a president who has seemingly gone mad. Proverbs 29:2: “When the righteous are in authority, the people rejoice; But when a wicked man rules, the people groan.” Mr. Chairman, if not now, when, if not us, then who will be speak out against evil? I can assure you that this will not be the last time this issue comes up during business before this subcommittee and I urge all of my Republican colleagues to finally make their voices heard so we can truly represent the will and spirit of the American people. As Alexander de Tocqueville once observed: “America is great because she is good. If America ceases to be good, America will cease to be great.” Thank you, Mr. Chairman, and with that I yield back the balance of my time.

Mr. UPTON. The gentleman yields back. Time has expired. At this point we are going to entertain the testimony from our witnesses. We appreciate you sending your testimony up in advance, and we will give each of you 5 minutes to summarize that, at which point we will do questions. I will say that we are expecting votes around 11:15 or 11:20. So, Ms. Wade, director of research and policy analysis from the NFIB, we welcome you and your organization here, and you are recognized for 5 minutes. Thank you.
STATEMENTS OF HOLLY WADE, DIRECTOR, RESEARCH AND POLICY ANALYSIS, NATIONAL FEDERATION OF INDEPENDENT BUSINESS RESEARCH CENTER; SAM MCCAMMON, PRESIDENT, ANAMET ELECTRICAL, INC.; SETH HANLON, SENIOR FELLOW, CENTER FOR AMERICAN PROGRESS; AND TOM FERGUSON, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AZZ, INC.

STATEMENT OF HOLLY WADE

Ms. WADE. Good morning, Chairman Upton, Ranking Member Rush, and members of the Subcommittee on Energy. On behalf of the NFIB, I appreciate the opportunity to submit for the record this testimony for your hearing entitled “The Benefits of Tax Reform on the Energy Sector and Consumers.”

My name is Holly Wade, and I serve as the director of research and policy analysis of the NFIB Research Center. NFIB is the leading small business advocacy association, representing members in Washington, DC, and all 50 States.

Founded in 1943, NFIB’s mission is to promote and protect the rights of its members to own, operate, and grow their businesses. NFIB proudly represents hundreds of thousands of members nationwide from every industry and sector.

NFIB recently published a report that captures small business owners’ initial reaction to the Tax Cuts and Jobs Act. The survey was a random sample of NFIB members with responses received between mid-February and mid-April. NFIB published this report as taxes and tax-related activities play a significant role in the general operation of small businesses.

NFIB’s 2016 Small Business Problems and Priorities survey found that 5 of the top 10 most severe problems facing small business owners are tax related, the most severe of which, Federal taxes on business income, ranked third out of 75 problems, with 29 percent of small business owners finding it a critical problem in operating their business, not surprising since profits are the major source of capital for firm growth and expansion.

The frustration level associated with tax-related costs and compliance is immense. The new tax law will help ease some of these problems for most small businesses, for some more significantly than other.

For example, increasing the thresholds of the estate tax and alternative minimum tax will result in fewer business owners having to spend their valuable time and resources complying with these burdensome and costly taxes.

NFIB’s monthly Small Business Economic Trends survey highlights small business owners’ enthusiasm for the new tax law as near-record optimism levels have been achieved in the months following the law’s enactment.

Taxes historically received the most votes as the single most important problem since 1982, but fell to only 13 percent in March, the lowest reading in 35 years.

Most small business owners are still learning about how the law will affect them and their businesses as the impact depends on their form of business and detailed IRS interpretations that are still being developed. The expiration of small business provisions,
including Section 199A and the individual tax rate, creates looming uncertainties that will affect businesses differently.

Today on Capitol Hill there are more than 600 NFIB members advocating for permanency of the small business provisions to provide certainty for long-term business planning.

Incorporated businesses have a clearer path, as the corporate tax rates were permanently consolidated to 21 percent and the corporate alternative minimum tax was permanently repealed.

Small business owners are now assessing how these changes will affect them personally and within their business.

The new tax law is a significant step forward in easing one of the main concerns of small business owners: the impact of Federal taxes on business income. However, the complexities of the Tax Code remain.

Owners will continue to seek professional assistance to understand and comply with the new Tax Code. But the reduction in taxes will free up resources to support the growth of their business and ease issues related to intergenerational changes in management.

Thank you for inviting me to testify. I look forward to answering any questions you may have.

[The prepared statement of Ms. Wade follows:]
TESTIMONY BEFORE THE UNITED STATES CONGRESS
ON BEHALF OF THE
NATIONAL FEDERATION OF INDEPENDENT BUSINESS

Statement for the Record of Holly Wade
Director of Research and Policy Analysis
NFIB Research Center

Before the
Committee on Energy and Commerce
United States House of Representatives

Hearing on: "The Benefits of Tax Reform on the Energy Sector and Consumers"

June 20, 2018

NFIB
1201 F Street, NW Suite 200
Washington, DC 20004
Chairman Walden and Ranking Member Pallone,

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The frustration level associated with tax-related costs and compliance is immense. The new tax law will help ease some of these problems for most small businesses, some more significantly than others. For example, increasing the thresholds for the estate tax and alternative minimum tax (AMT) will result in fewer business owners having to calculate or plan for these taxes and pay these taxes. NFIB’s Small Business Economic Trends survey highlights small business owners’ enthusiasm for the new tax law as near record optimism levels have been achieved in the months following the law’s enactment. Taxes historically received the most votes as the “single most important business problem” since 1982, but fell to only 13 percent in March, the lowest reading in 35 years.

Most small business owners are still learning about how the law will affect them and their businesses as the impact depends on their form of business and detailed IRS interpretations that are still being developed. The expiration of small business provisions, including Section 199A and the individual tax rates, creating looming uncertainties and will affect businesses differently. Today, there are more than 600 NFIB members advocating for permanency of the small business provisions to provide certainty for longer-term business planning. Incorporated businesses have a clearer path as the corporate tax rates were permanently consolidated to 21 percent and the corporate alternative minimum tax was permanently repealed.

Small business owners are now assessing how these changes will affect them personally and within their businesses. The new tax law is a significant step forward in easing one of the main concerns of small business owners: the impact of federal taxes on business income. However, the complexity of the tax code remains. Owners will continue to seek professional assistance to
understand and comply with the new code.\(^1\) But the reduction in taxes will free up resources to support the growth of their business and ease issues related to intergenerational changes in management.

Thank you for inviting me to testify. I look forward to answering any questions you may have.

\(^1\) According to NFIB’s Small Business Introduction to the Tax Cuts and Jobs Act: Part I survey, 94 percent of small business owners use a professional tax preparer to file their most recent federal business income tax return.
Small Business Introduction to the Tax Cuts and Jobs Act: Part 1
May 2018

Executive Summary

- Over three-quarters (76 percent) of small business owners believe the current business climate is heading in a positive direction (Q#4).

- The vast majority (87 percent) percent of small business owners think the new tax law will have a positive impact on the general economy. Just 4 percent believe it will have a negative impact and 9 percent think it will have no significant impact (Q#14).

- Three-fourths (75 percent) of small business owners believe the tax law will positively impact their business, 22 percent anticipate it will have no impact, and 3 percent a negative impact (Q#12).

- While small business owners are enthusiastic about the law generally, many of the details are still unfamiliar to them. Almost one-in-four (24 percent) percent of small business owners are not at all familiar with the new tax law (Q#7).

- Half of small business owners with some familiarity about the law obtained their most useful information from their tax preparer or advisor, another 28 percent from the general news media (Q#8).

- Over half (51 percent) of small business owners expect to pay less in federal income taxes next year, 7 percent expect to pay more, and 37 percent about the same (Q#15).

- Almost half (47 percent) of small business owners who expect to pay less in taxes next year plan to increase business investments with their tax saving (Q#15a5) and 44 percent plan to increase employee compensation (Q#15a6). Another 40 percent of small business owners plan to pay down debt obligations (Q#15a7), 32 percent plan to retain the funds freed up as higher earnings available to support business growth (Q#15a4), and 27 percent plan to hire an additional employee (Q#15a3).

- Over half (55 percent) say that the creation of Section 199A, allowing for up to a 20 percent small business income tax deduction, is “very important” with another 29 percent “somewhat important” (Q#20B).

- Forty-five percent of small business owners say that changes to the personal income tax brackets and rates are “very important” to them and their business, 40 percent say “somewhat important” (Q#20A).
Introduction

The Tax Cuts and Jobs Act (TCJA) was signed into law December 22, 2017. The new law is the most comprehensive tax rewrite in over three decades. It offers significant tax relief to many small business owners. Small business is a very diverse sector of the economy, consisting of over five million employer firms with fewer than 20 employees, and about 5.7 million with fewer than 500 employees. In addition, the small business sector includes about 23 million nonemployer firms operating in the economy with varying degrees of activity levels. The NFIB’s 2016 Small Business Problems and Priorities survey found that five of the top 10 most severe problems facing small business owners are tax related. The most severe is “Federal Taxes on Business Income” which ranks third out of 75 problems with 29 percent of small business owners finding it a critical problem in operating their business, not surprising since profits are the major source of capital for firm growth and expansion.

The frustration level associated with tax related costs and compliance is immense. The new tax law will help ease some of these problems for most small businesses, some more significantly than others. NFIB’s Small Business Economic Trends survey highlights small business owners’ enthusiasm for the new tax law as near record optimism levels were achieved in the months following the law’s passage. Taxes historically received the most votes as the single most important business problem since 1982, but fell to only 13 percent in March, the lowest reading in 35 years. This survey provides a benchmark from which to measure future surveys’ results. Most small business owners are still learning about how the law will affect them and their business as the impact depends on their form of business and detailed IRS interpretations that are still being developed. And the looming uncertainties with many tax provisions, including the individual tax rates and Section 199A, expiring at the end of 2025 will continue to affect businesses differently. Incorporated businesses have a clearer path as the corporate tax rates were permanently consolidated to 21 percent and the corporate alternative minimum tax was permanently repealed. Congress chose not to make the provisions for “pass through” businesses permanent.

Legal Structure of Small Businesses

Small businesses fall into one of five legal structure categories: sole proprietorship, partnership, LLC, S corporation, and C corporation. The S corporation is the most common legal form of business for small business owners. Forty-two percent of small businesses are structured as an S corporation (Q#2). Twenty percent of small

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4 The historic high survey reading for taxes as the Single Most Important Problem is 32 percent reached in February 1997, the average is 22 percent.
businesses are structured as an LLC, 19 percent as sole proprietorship, and 17 percent as a C corporation. Only 3 percent of small businesses are structured as a partnership.

Small businesses are generally structured as a C corporation for one (or a combination) of three main reasons: tax rate, liability, and legacy. Tax rate is the main reason for using C corporation status for 33 percent of small business owners (Q#2a). Business income for all legal forms of business other than C corporations is treated as personal income and taxed on the owners' individual income tax returns. C corporations are taxed at the 21 percent corporate rate, a rate the new law consolidated from a more progressive, graduated rate structure. Thirty-one percent separately cited liability and legacy advantages as the main reason for their C corporation structure. The five legal forms provide varying degrees of protection for personal assets in the event of a liability suit with larger small businesses generally requiring stronger liability protection.

The new tax law will affect owners differently depending on the legal structure of the business. During the tax reform debate, there was a lot of discussion about whether proposed tax code changes would increase the rate of business owners changing the legal structure of their business. But for now, very few small business owners plan to change their business's legal structure over the next 1–3 years in response to the new tax law. Only 4 percent plan to do so with 83 percent planning no change (Q#6). Thirteen percent of small business owners are not sure whether they will change their business's legal structure. Tax rate purposes is the main reason for wanting to switch (48 percent), followed by liability protection (22 percent) (Q#6b).

The number of businesses owned also affects the cost and complexity of a owners' federal tax filing. While most small business owners (66 percent) own one business (Q#26), another 22 percent own two businesses. Twelve percent own three or more. Owners of larger businesses tend to own more of them.

Familiarity with TCJA

The TCJA is a substantial overhaul of the tax code. The IRS and Treasury are still in the process of providing guidance and promulgating regulations for provisions within the law. And while small business owners are enthusiastic about the law generally, many of the details are still unfamiliar to them. Over half of small business owners (57 percent) are not too familiar or not at all familiar with the new law (Q#7). Thirty-eight (38) percent are somewhat familiar, and 5 percent claim to be very familiar. The familiarity gap varies with firm size. Owners of larger small businesses are more familiar with the law than owners of smaller businesses. This gap is not surprising as owners of larger businesses tend to utilize accountants and lawyers more frequently than owners of smaller ones.

Fewer than half (44 percent) of small business owners have talked with a tax professional or advisor about how the new tax law will affect their business (Q#11). Fifty-six percent have not. The percent of owners having talked with a tax advisor increases by firm size with almost two-thirds (63 percent) of employers with more than 100 employees having done so compared to 35 percent of non-employers.
Of owners with some familiarity with the law, the main source of information for 50 percent of small business owners is a tax preparer or advisor (Q#8). Twenty-eight percent received most of their information from the general news media and 11 percent from a trade or business association. Combined, other business owners and general internet information were the main source for 11 percent of small business owners. Government was the main source of information for only 1 percent of them.

Small business owners are generally satisfied with the level of information they received about the law. Nearly three-fourths (73 percent) of small business owners are very or somewhat satisfied (Q#9). One-quarter reported being less satisfied, and just 3 percent are not at all satisfied.

One of the most beneficial provisions within the tax law for small business owners is the newly created Section 199A, which allows most small businesses, those organized as a partnership, S corporation, LLCs or sole proprietorship, to deduct up to 20 percent of qualified business income from their federal income taxes. However, only 7 percent of small business owners are very familiar with the provision, 19 percent are somewhat familiar, and 40 percent are not very familiar (Q#10). One-third of small business owners have no familiarity with the provision at all. As with familiarity of the law generally, owners of larger small business are more familiar with this provision than owners of smaller business. While half of owners with more than 100 employees are familiar with the provision, only 23 percent of non-employers are familiar. Those who are least familiar with the deduction are most likely to be eligible for it.

**Owners’ Reaction to TCJA**

The vast majority (76 percent) of small business owners believe the current business climate is heading in a positive direction (Q#4). The U.S. economy is strong with GDP growth averaging 2.6 percent in 2017, nine years after the Great Recession. The 2016 election buoyed small business enthusiasm with the promise of lower taxes and fewer regulations, two top concerns for small business owners. The Tax Cuts and Jobs Act was a giant step in addressing some of these pressing concerns.

**Economy**

The reaction to the new tax law has been overwhelmingly positive as initially reported in NFIB’s monthly Small Business Economic Trends report. The Index of Small Business Optimism reached record level high readings after the law passed in conjunction with a swift decline in the percent of owners reporting taxes as their single most important problem in operating their business. This survey shows similar enthusiasm with 87 percent of small business owners expecting that the tax law will have a positive impact.

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on the general economy (Q#14). Just 4 percent believe it will negatively impact the general economy, and 9 percent think it will have no significant impact.

Business

Three-fourths of small business owners believe the tax law will positively impact their business, 22 percent anticipate it will have no impact, and 3 percent a negative impact (Q#12). While larger small firms are most enthusiastic about how the law will impact their business, they are also most knowledgeable about the law generally. As owners of smaller businesses talk to their tax professional, more will likely find the law positively impacting their business.

Personal

When asked about the law’s impact on their personal taxes, 70 percent anticipate it will positively impact them while 23 percent expect it to have no impact (Q#13). Seven percent believe it will have a negative impact on their personal taxes. Owners’ expectations about how the law will affect their personal tax filing varies little by firm size.

Investment Plans

About half (51 percent) of small business owners anticipate paying less in federal income taxes in 2018 compared to 2017, assuming their business income remains the same (Q#15). About 37 percent believe they would pay the same amount. Only 7 percent thought they would pay more and 6 percent were unsure.

Small business owners anticipating a lower tax bill next year plan to allocate the extra money across a number of business activities. But because many owners have yet to talk with their tax accountant or know how much they will save, about half say it is still too soon to know how they will spend the extra cash (Q#15a1). Almost half (47 percent) plan to increase business investments with their tax savings (Q#15a5) and 44 percent plan to increase employee compensation (Q#15a6). Another 40 percent of small business owners plan to pay down debt obligations (Q#15a4). Over one-quarter (27 percent) of small business owners plan to use the extra savings to help hire an additional employee (Q#15a3). According to NFIB’s monthly survey, the percent of owners with an unfilled job opening reached 35 percent again in April 2018, the highest reading since November 2000. The tax savings will help many in this category in filling open positions.

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7 Respondents who did not answer questions Q15a1 – 7 are evaluated as answering “no” for each.

Tax Complexity

Tax complexity is a major concern for small business owners, with over one-quarter of them (27 percent) finding it a critical problem in operating their business. Because of the complex nature of filing taxes, most small business owners solicit professional tax help to assist them with the process. The survey found that 93 percent of small business owners use a tax professional to prepare their federal business income tax return, resources that could otherwise be used to grow the firm if taxes were simplified (Q#17). Small business owners do not see the process changing much over the next year. About three-fourths of small business owners (73 percent) expect the time and money it took to prepare their 2017 return to be about the same in 2018 (Q#18). Sixteen percent anticipate spending more time and money next year compared to this year, likely due to navigating the new tax law. This should then ease after the first year’s filing once owners learn more about how the new law affects them and their business. More owners of larger businesses are anticipating allocating more resources to next year’s tax filing than smaller businesses.

About two-thirds (67 percent) of small business owners itemized their personal deductions when filing their most recent federal tax return (Q#16). Twenty-two percent of small business owners took the standard deduction. Eleven percent did not know if they itemized or took the standard deduction. Most owners who itemized their 2017 tax return plan to itemize again for their 2018 return, anticipating that their deductions will continue to be above the new thresholds of $12,700 for single filers and $24,000 for joint filers. About 56 percent plan to itemize, and 10 percent anticipate using the standard deduction (Q#16a). About one-third (34 percent) were not familiar enough with the new law to know which choice to make.

The tax law is widely popular among small business owners, but many of the benefits expire at the end of 2025 including the reductions to the individual tax rates and Section 199A, the up to 20 percent deduction on qualified business income. At this time, the January 1, 2026 expiration date is not affecting most small business owners. Only 12 percent of small business owners, disproportionately larger ones, say that this uncertainty will affect current or future business plans (Q#19). Another 56 percent say it currently does not affect any short- or long-term business plans. The remaining 32 percent of small business owners don’t know. This population will likely transition into either the “no” or “yes” categories in future editions of the survey as it gets closer to 2026 if Congress fails to provide more certainty.

Evaluation of Changes to Tax Provisions

The impact of the new tax law on small business owners will vary from business to business depending on their unique set of circumstances and business characteristics. But even provisions that don’t directly affect most small business owners are of great

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concern to many more due to future uncertainties and frequent changes in the federal and state tax codes.

Section 199A

The provision that is most viewed as “very” important to small business owners and their business is the creation of the up to 20 percent small business income tax deduction, Section 199A. While many small business owners are not familiar with it, the mere mention of it provokes a strong, positive reaction with 55 percent of owners saying that it’s a very important provision and another 29 percent somewhat important provision (Q#20B) to them and their business.

Corporate Tax Rate

The next most popular provision is the corporate tax cut with 52 percent of small business owners viewing it as very important and 23 percent somewhat important (Q#20G). Even those small business owners not structured as C corporations endorse the lower rate, whether because it now offers a reasonable option for switching legal organization or they generally think it’s good policy.

Individual Income Tax Rates

The changes to the individual income tax brackets and rates are a very important provision in the tax law for 45 percent of small business owners and somewhat important for another 40 percent of them (Q#20A).

Estate Tax

The new tax law increases the estate tax exemption from $5.5 million to $11 million for single filers and $11 million to $22 million for joint filers, protecting more small business owners from tax preparation related expenses. Forty-one percent view the estate tax as a very important issue (Q#20D). A relatively small percentage of business owners end up paying the estate tax but many more seek professional guidance on how to prepare for it or evaluate the likelihood of being affected by it in the future. About one-in-five (21 percent) small business owners have incurred estate tax related expenses in the last five years, and another 5 percent plan to in the future (Q#21). Of those who have incurred expenses, 42 percent say that the increased estate tax threshold will reduce or eliminate their potential estate tax liability (Q#21a). About one quarter (24 percent) say that it will have no impact, and another 34 percent don’t know.

AMT

The expiration of tax provisions (Q#20H) and the AMT (Q#20C) are important to many small business owners but fewer compared to other provisions in the new tax law. Fifty-three percent of small business owners find changes to the AMT threshold an important tax provision and 57 percent find the expiration of certain tax provisions important.
SALT

The new tax law also capped the amount of state and local income and property taxes (SALT) filers can deduct from the personal federal income taxes. The new limit is an important change for about two-thirds of small business (Q#20E). The SALT provision is of particular concern for those owners located in high income or property tax states. While the personal SALT deduction is capped at $10,000, business related SALT taxes are expected to remain deductible.

Individual Mandate

Beginning in 2019, the new tax law also eliminates the individual health insurance mandate penalty that was created in the Affordable Care Act. About 29 percent of small business owners purchase their health insurance on the individual market, including on an individual health insurance exchange (Q#22). Over 70 percent of them say the elimination of the penalty will not affect their current coverage status or insurance plan (Q#22a). About 12 percent will consider purchasing a different insurance plan, presumably a cheaper, currently non-compliant plan. Only 3 percent plan to drop their coverage altogether.

Expensing

The new tax law also increased the business expensing limits from $510,000 to $1,000,000 for eligible capital expenditures and expanded the list of eligible expenditures. Small business owners in capital intensive industries will benefit from this change but, overall, fewer than 5 percent spend more than $500,000 in any given year. Seventeen percent of small business owners say that the new expensing limit will affect their investment plans over the next 1 – 3 years (Q#23). The majority of small business owners (60 percent) do not anticipate the change will affect future expenditure plans in the near term. Another 23 percent are not sure.

Small Business Income

For most small business owners, business income accounts for a significant portion of their total household income. Business profits are the sole income source for 39 percent of small business owners (Q#27). Owners have a substantial amount of their net worth tied up in their business, amplifying the importance of tax law changes on their economic well-being. These small business owners are totally reliant on the success of their business as a source of income. Owners of larger small businesses are more likely to have business profits as their sole income source. For one in five owners, business earnings contribute to less than half of the overall household income, disproportionately more frequent for owners of smaller businesses. About one-quarter (26 percent) of

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small businesses derive most (75-99 percent) of their household income from business profits.

Final Comments
The data for this survey capture small business owners’ initial reaction to the new tax law. Taxes and tax related activities play a significant role in the general operations of small businesses. Small business owners are now assessing how these changes will affect them personally and their business. The new tax law is a significant step forward in easing one of the main concerns of small business owners: the impact of federal taxes on business income. However, the complexity of the tax code remains. Owners will continue to seek professional assistance to understand and comply with the new code. But the reduction in taxes will free up resources to support the growth of their business and ease issues related to intergenerational changes in management.

Methodology
This survey was conducted with a random sample of 20,000 NFIB members between February and April 2018. The survey was conducted by mail, with an initial mailing and a follow-up mailing 3 weeks later. NFIB collected 2,544 usable responses, a 13 percent response rate. Ninety-five percent of respondents were the owner of the business, 4 percent a manager.
## SMALL BUSINESS TAX SURVEY 2018

**Employee Size of Firm**

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<td>100.0%</td>
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2. What is the legal form of your business?

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<td>C-Corporation</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>232</td>
<td>1827</td>
<td>404</td>
<td>59</td>
<td>2522</td>
</tr>
</tbody>
</table>

2a. If structured as a C-corporation, what is the main reason it is structured that way:

<table>
<thead>
<tr>
<th>Main Reason</th>
<th>32.6%</th>
<th>30.2%</th>
<th>90.4%</th>
<th>33.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tax purposes</td>
<td>29.7</td>
<td>38.8</td>
<td>31.0</td>
<td>31.0</td>
</tr>
<tr>
<td>2. Liability purposes</td>
<td>4.1</td>
<td>5.2</td>
<td>4.8</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>38</td>
<td>309</td>
<td>116</td>
<td>18</td>
</tr>
</tbody>
</table>
3. What is the primary industry of your business?

<table>
<thead>
<tr>
<th>Industry</th>
<th>No emp</th>
<th>1-19 emp</th>
<th>20-99 emp</th>
<th>100+ emp</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>15.2%</td>
<td>14.1%</td>
<td>24.0%</td>
<td>11.9%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.2%</td>
<td>8.2%</td>
<td>19.8%</td>
<td>30.5%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>31.2%</td>
<td>16.2%</td>
<td>6.2%</td>
<td>10.2%</td>
<td>15.9%</td>
</tr>
<tr>
<td>Retail, Wholesale</td>
<td>13.9%</td>
<td>20.7%</td>
<td>19.3%</td>
<td>15.3%</td>
<td>19.7%</td>
</tr>
<tr>
<td>Finance, Insurance, Real Estate</td>
<td>3.0%</td>
<td>7.5%</td>
<td>1.7%</td>
<td>--</td>
<td>6.0%</td>
</tr>
<tr>
<td>Transportation/Warehousing</td>
<td>3.0%</td>
<td>2.0%</td>
<td>4.9%</td>
<td>3.4%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Services (personal/prof.)</td>
<td>16.0%</td>
<td>18.0%</td>
<td>11.4%</td>
<td>10.2%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Other (specify)</td>
<td>13.5%</td>
<td>13.2%</td>
<td>12.8%</td>
<td>18.6%</td>
<td>13.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>237</td>
<td>1831</td>
<td>405</td>
<td>59</td>
<td>2532</td>
</tr>
</tbody>
</table>

4. Do you think the current business climate is generally headed a positive or negative direction?

<table>
<thead>
<tr>
<th>Direction</th>
<th>No emp</th>
<th>1-19 emp</th>
<th>20-99 emp</th>
<th>100+ emp</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very positive</td>
<td>9.8%</td>
<td>13.2%</td>
<td>15.2%</td>
<td>20.3%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Positive</td>
<td>57.0%</td>
<td>62.2%</td>
<td>69.9%</td>
<td>69.5%</td>
<td>63.1%</td>
</tr>
<tr>
<td>Negative</td>
<td>11.9%</td>
<td>10.8%</td>
<td>6.7%</td>
<td>3.4%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Very negative</td>
<td>2.1%</td>
<td>2.0%</td>
<td>0.5%</td>
<td>1.7%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>19.1%</td>
<td>12.7%</td>
<td>7.7%</td>
<td>5.1%</td>
<td>12.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>235</td>
<td>1832</td>
<td>404</td>
<td>59</td>
<td>2532</td>
</tr>
</tbody>
</table>

5. Are you primarily responsible for making financial and tax related decisions for this business?

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>No emp</th>
<th>1-19 emp</th>
<th>20-99 emp</th>
<th>100+ emp</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>95.7%</td>
<td>95.4%</td>
<td>94.6%</td>
<td>88.1%</td>
<td>95.1%</td>
</tr>
<tr>
<td>No</td>
<td>4.3%</td>
<td>4.6%</td>
<td>5.4%</td>
<td>11.9%</td>
<td>4.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>234</td>
<td>1832</td>
<td>405</td>
<td>59</td>
<td>2530</td>
</tr>
</tbody>
</table>

6. Do you plan to change the legal form of your business in the next 1 – 3 years?

<table>
<thead>
<tr>
<th>Plan to change</th>
<th>No emp</th>
<th>1-19 emp</th>
<th>20-99 emp</th>
<th>100+ emp</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>3.0%</td>
<td>4.9%</td>
<td>1.5%</td>
<td>1.7%</td>
<td>4.1%</td>
</tr>
<tr>
<td>No</td>
<td>86.8%</td>
<td>82.2%</td>
<td>87.1%</td>
<td>74.6%</td>
<td>83.3%</td>
</tr>
<tr>
<td>Not sure</td>
<td>10.2%</td>
<td>12.9%</td>
<td>11.4%</td>
<td>23.7%</td>
<td>12.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>235</td>
<td>1834</td>
<td>404</td>
<td>59</td>
<td>2532</td>
</tr>
</tbody>
</table>
28

<table>
<thead>
<tr>
<th>Employee Size of Firm</th>
<th>No emp.</th>
<th>1-19 emp.</th>
<th>20-99 emp.</th>
<th>100+ emp.</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. C-Corporation</td>
<td>--%</td>
<td>14.4%</td>
<td>--%</td>
<td>--%</td>
<td>18.6%</td>
</tr>
<tr>
<td>2. S-Corporation</td>
<td>--</td>
<td>27.9%</td>
<td>--</td>
<td>--</td>
<td>29.3%</td>
</tr>
<tr>
<td>3. Partnership</td>
<td>--</td>
<td>4.8%</td>
<td>--</td>
<td>--</td>
<td>4.5%</td>
</tr>
<tr>
<td>4. Sole proprietorship</td>
<td>--</td>
<td>7.9%</td>
<td>--</td>
<td>--</td>
<td>7.2%</td>
</tr>
<tr>
<td>5. LLC</td>
<td>--</td>
<td>45.0%</td>
<td>--</td>
<td>--</td>
<td>40.3%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>21</td>
<td>229</td>
<td>32</td>
<td>8</td>
<td>290</td>
</tr>
</tbody>
</table>

6b. What is the main reason you planning to change it?

<table>
<thead>
<tr>
<th>Reason</th>
<th>No emp.</th>
<th>1-19 emp.</th>
<th>20-99 emp.</th>
<th>100+ emp.</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tax purposes</td>
<td>--%</td>
<td>44.8%</td>
<td>--%</td>
<td>--%</td>
<td>48.8%</td>
</tr>
<tr>
<td>2. Liability purposes</td>
<td>--</td>
<td>24.6%</td>
<td>--</td>
<td>--</td>
<td>22.2%</td>
</tr>
<tr>
<td>3. An ownership change</td>
<td>--</td>
<td>21.3%</td>
<td>--</td>
<td>--</td>
<td>19.5%</td>
</tr>
<tr>
<td>4. Other</td>
<td>--</td>
<td>9.3%</td>
<td>--</td>
<td>--</td>
<td>9.5%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>23</td>
<td>268</td>
<td>38</td>
<td>9</td>
<td>338</td>
</tr>
</tbody>
</table>

7. The recently passed federal tax law named the Tax Cuts and Jobs Act is currently being implemented. How familiar are you with this new law? Are you:

<table>
<thead>
<tr>
<th>Familiarity</th>
<th>No emp.</th>
<th>1-19 emp.</th>
<th>20-99 emp.</th>
<th>100+ emp.</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Very familiar</td>
<td>3.4%</td>
<td>4.2%</td>
<td>7.7%</td>
<td>18.6%</td>
<td>5.0%</td>
</tr>
<tr>
<td>2. Somewhat familiar</td>
<td>33.3%</td>
<td>34.8%</td>
<td>54.1%</td>
<td>61.0%</td>
<td>38.3%</td>
</tr>
<tr>
<td>3. Not too familiar</td>
<td>29.5%</td>
<td>35.0%</td>
<td>26.9%</td>
<td>13.6%</td>
<td>32.7%</td>
</tr>
<tr>
<td>4. Not at all familiar</td>
<td>33.8%</td>
<td>26.0%</td>
<td>11.4%</td>
<td>6.8%</td>
<td>23.9%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>237</td>
<td>1826</td>
<td>405</td>
<td>59</td>
<td>2527</td>
</tr>
</tbody>
</table>
8. From which source have you obtained the most useful information about how the new tax law will affect your business?

<table>
<thead>
<tr>
<th>Source</th>
<th>No emp.</th>
<th>1-19 emp.</th>
<th>20-99 emp.</th>
<th>100+ emp.</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax preparer or advisor</td>
<td>53.8%</td>
<td>47.1%</td>
<td>56.0%</td>
<td>70.9%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Other business owners</td>
<td>3.8</td>
<td>3.0</td>
<td>1.7</td>
<td>1.8</td>
<td>2.8</td>
</tr>
<tr>
<td>Government</td>
<td>3.1</td>
<td>0.7</td>
<td>0.6</td>
<td>--</td>
<td>0.9</td>
</tr>
<tr>
<td>Trade associations or business groups</td>
<td>4.4</td>
<td>11.6</td>
<td>9.1</td>
<td>12.7</td>
<td>10.6</td>
</tr>
<tr>
<td>General news media (TV, radio, newspaper)</td>
<td>30.0</td>
<td>29.8</td>
<td>23.8</td>
<td>14.5</td>
<td>28.3</td>
</tr>
<tr>
<td>Internet</td>
<td>5.0</td>
<td>7.7</td>
<td>8.9</td>
<td>--</td>
<td>7.5</td>
</tr>
</tbody>
</table>

Total: 100.0% 100.0% 100.0% 100.0% 100.0%

N: 160 1347 361 55 1923

9. Overall, how satisfied are you with the clarity and usefulness of the information received related to you and your business? Are you:

<table>
<thead>
<tr>
<th>Satisfaction Level</th>
<th>No emp.</th>
<th>1-19 emp.</th>
<th>20-99 emp.</th>
<th>100+ emp.</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very satisfied</td>
<td>10.8%</td>
<td>8.2%</td>
<td>12.5%</td>
<td>28.3%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Somewhat satisfied</td>
<td>68.2</td>
<td>61.7</td>
<td>64.2</td>
<td>60.4</td>
<td>62.6</td>
</tr>
<tr>
<td>Not too satisfied</td>
<td>18.5</td>
<td>27.3</td>
<td>20.6</td>
<td>11.3</td>
<td>24.9</td>
</tr>
<tr>
<td>Not at all satisfied</td>
<td>2.5</td>
<td>3.1</td>
<td>2.8</td>
<td>--</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Total: 100.0% 100.0% 100.0% 100.0% 100.0%

N: 157 1343 360 53 1913

10. The new tax law allows owners of pass-through businesses (LLC’s, partnerships, sole proprietorship or S-corporations), with taxable income below $157,500 as a single filer or $315,000 if married and file jointly, to deduct 20 percent of qualified business income from taxable income.

How familiar are you with this new tax provision?

<table>
<thead>
<tr>
<th>Familiarity Level</th>
<th>No emp.</th>
<th>1-19 emp.</th>
<th>20-99 emp.</th>
<th>100+ emp.</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very familiar</td>
<td>2.5%</td>
<td>6.4%</td>
<td>11.0%</td>
<td>17.9%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Familiar</td>
<td>19.9</td>
<td>18.0</td>
<td>22.4</td>
<td>32.1</td>
<td>19.4</td>
</tr>
<tr>
<td>Somewhat familiar</td>
<td>41.0</td>
<td>40.6</td>
<td>37.8</td>
<td>33.9</td>
<td>39.9</td>
</tr>
<tr>
<td>Not at all familiar</td>
<td>36.6</td>
<td>34.9</td>
<td>28.7</td>
<td>16.1</td>
<td>33.4</td>
</tr>
</tbody>
</table>

Total: 100.0% 100.0% 100.0% 100.0% 100.0%

N: 161 1369 362 56 1948
### Employee Size of Firm

<table>
<thead>
<tr>
<th></th>
<th>No emp.</th>
<th>1-19 emp.</th>
<th>20-99 emp.</th>
<th>100+ emp.</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>11. Have you talked with a tax professional or advisor to discuss how the new tax law will affect your business?</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Yes</td>
<td>35.4%</td>
<td>41.0%</td>
<td>54.3%</td>
<td>62.5%</td>
<td>43.7%</td>
</tr>
<tr>
<td>2. No</td>
<td>64.6%</td>
<td>59.0%</td>
<td>45.7%</td>
<td>37.5%</td>
<td>56.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>158</td>
<td>1358</td>
<td>363</td>
<td>56</td>
<td>1935</td>
</tr>
</tbody>
</table>

### Do you think the new tax law will have a positive, negative, or no impact on your business?

<table>
<thead>
<tr>
<th></th>
<th>Very positive</th>
<th>Positive</th>
<th>No impact</th>
<th>Negative</th>
<th>Very negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Very positive</td>
<td>11.2%</td>
<td>10.7%</td>
<td>15.7%</td>
<td>27.3%</td>
<td>12.1%</td>
</tr>
<tr>
<td>2. Positive</td>
<td>62.5%</td>
<td>63.0%</td>
<td>62.5%</td>
<td>54.5%</td>
<td>62.6%</td>
</tr>
<tr>
<td>3. No impact</td>
<td>23.0%</td>
<td>22.8%</td>
<td>20.7%</td>
<td>16.4%</td>
<td>22.3%</td>
</tr>
<tr>
<td>4. Negative</td>
<td>2.0%</td>
<td>3.4%</td>
<td>1.1%</td>
<td>1.8%</td>
<td>2.8%</td>
</tr>
<tr>
<td>5. Very negative</td>
<td>1.3%</td>
<td>0.2%</td>
<td>--</td>
<td>--</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>152</td>
<td>1323</td>
<td>357</td>
<td>55</td>
<td>1887</td>
</tr>
</tbody>
</table>

### Do you think the new tax law will have a positive, negative, or no impact on your personal taxes?

<table>
<thead>
<tr>
<th></th>
<th>Very positive</th>
<th>Positive</th>
<th>No impact</th>
<th>Negative</th>
<th>Very negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Very positive</td>
<td>7.9%</td>
<td>7.3%</td>
<td>10.9%</td>
<td>8.9%</td>
<td>8.1%</td>
</tr>
<tr>
<td>2. Positive</td>
<td>61.6%</td>
<td>62.6%</td>
<td>61.8%</td>
<td>58.9%</td>
<td>62.2%</td>
</tr>
<tr>
<td>3. No impact</td>
<td>24.5%</td>
<td>23.2%</td>
<td>20.1%</td>
<td>23.2%</td>
<td>22.7%</td>
</tr>
<tr>
<td>4. Negative</td>
<td>6.0%</td>
<td>6.2%</td>
<td>6.4%</td>
<td>7.1%</td>
<td>6.2%</td>
</tr>
<tr>
<td>5. Very negative</td>
<td>--</td>
<td>0.8%</td>
<td>0.8%</td>
<td>1.8%</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>151</td>
<td>1325</td>
<td>359</td>
<td>56</td>
<td>1891</td>
</tr>
</tbody>
</table>

### Do you think the new tax law will have a positive, negative, or no impact on the general economy?

<table>
<thead>
<tr>
<th></th>
<th>Very positive</th>
<th>Positive</th>
<th>No impact</th>
<th>Negative</th>
<th>Very negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Very positive</td>
<td>17.2%</td>
<td>18.9%</td>
<td>18.8%</td>
<td>20.0%</td>
<td>18.8%</td>
</tr>
<tr>
<td>2. Positive</td>
<td>70.2%</td>
<td>66.1%</td>
<td>72.4%</td>
<td>74.5%</td>
<td>67.9%</td>
</tr>
<tr>
<td>3. No impact</td>
<td>9.3%</td>
<td>10.5%</td>
<td>5.8%</td>
<td>5.5%</td>
<td>9.4%</td>
</tr>
<tr>
<td>4. Negative</td>
<td>2.0%</td>
<td>3.8%</td>
<td>2.8%</td>
<td>--</td>
<td>3.4%</td>
</tr>
<tr>
<td>5. Very negative</td>
<td>1.3%</td>
<td>0.7%</td>
<td>0.3%</td>
<td>--</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>151</td>
<td>1361</td>
<td>362</td>
<td>55</td>
<td>1893</td>
</tr>
</tbody>
</table>
15. Assuming you have the same level of business income in 2018 as in 2017, do you expect to pay more, less, or about the same in federal income taxes in 2018 than in 2017?

<table>
<thead>
<tr>
<th>Employee Size of Firm</th>
<th>No emp.</th>
<th>1-19 emp.</th>
<th>20-99 emp.</th>
<th>100+ emp.</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. A lot more</td>
<td>0.6%</td>
<td>0.6%</td>
<td>0.6%</td>
<td>1.8%</td>
<td>0.6%</td>
</tr>
<tr>
<td>2. More</td>
<td>5.0</td>
<td>6.0</td>
<td>5.2</td>
<td>1.8</td>
<td>5.6</td>
</tr>
<tr>
<td>3. About the same</td>
<td>41.5</td>
<td>37.9</td>
<td>33.1</td>
<td>30.4</td>
<td>37.1</td>
</tr>
<tr>
<td>4. Less</td>
<td>45.3</td>
<td>47.0</td>
<td>53.6</td>
<td>58.9</td>
<td>48.5</td>
</tr>
<tr>
<td>5. A lot less</td>
<td>--</td>
<td>2.1</td>
<td>3.3</td>
<td>1.8</td>
<td>2.1</td>
</tr>
<tr>
<td>6. Not sure</td>
<td>7.5</td>
<td>6.5</td>
<td>4.1</td>
<td>5.4</td>
<td>6.1</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>159</td>
<td>1361</td>
<td>362</td>
<td>56</td>
<td>1938</td>
</tr>
</tbody>
</table>

15a. If less or a lot less, how do you plan to spend the cash previously used for taxes? (*No* also includes those who did not answer the question.)

1. Too soon to tell

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>55.6%</td>
<td>44.4%</td>
</tr>
<tr>
<td>2. No</td>
<td>47.9%</td>
<td>52.1%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>72</td>
<td>668</td>
</tr>
</tbody>
</table>

2. Lower prices

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>1.4%</td>
<td>98.6%</td>
</tr>
<tr>
<td>2. No</td>
<td>97.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>72</td>
<td>668</td>
</tr>
</tbody>
</table>

3. Hire additional employees

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>22.2%</td>
<td>77.8%</td>
</tr>
<tr>
<td>2. No</td>
<td>74.6%</td>
<td>25.4%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>72</td>
<td>668</td>
</tr>
</tbody>
</table>

4. Retain as earnings

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>34.7%</td>
<td>65.3%</td>
</tr>
<tr>
<td>2. No</td>
<td>68.1%</td>
<td>31.9%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>72</td>
<td>668</td>
</tr>
<tr>
<td>5. Increase business investment/expansion</td>
<td>No emp.</td>
<td>1-19 emp.</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>---------</td>
<td>------------</td>
</tr>
<tr>
<td>1. Yes</td>
<td>40.3%</td>
<td>46.3%</td>
</tr>
<tr>
<td>2. No</td>
<td>59.7%</td>
<td>53.7%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>72</td>
<td>668</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6. Increase employee compensation</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>25.0%</td>
<td>44.8%</td>
<td>46.6%</td>
<td>61.8%</td>
<td>44.3%</td>
</tr>
<tr>
<td>2. No</td>
<td>75.0%</td>
<td>55.2%</td>
<td>53.4%</td>
<td>38.2%</td>
<td>55.7%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>72</td>
<td>668</td>
<td>206</td>
<td>34</td>
<td>980</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7. Pay down debt obligations</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>38.9%</td>
<td>40.6%</td>
<td>36.9%</td>
<td>52.9%</td>
<td>40.1%</td>
</tr>
<tr>
<td>2. No</td>
<td>61.1%</td>
<td>59.4%</td>
<td>63.1%</td>
<td>47.1%</td>
<td>59.9%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>72</td>
<td>668</td>
<td>206</td>
<td>34</td>
<td>980</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>8. Other</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>4.2%</td>
<td>1.5%</td>
<td>0.5%</td>
<td>–%</td>
<td>1.4%</td>
</tr>
<tr>
<td>2. No</td>
<td>95.8%</td>
<td>98.5%</td>
<td>99.5%</td>
<td>100.0%</td>
<td>98.6%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>72</td>
<td>668</td>
<td>206</td>
<td>34</td>
<td>980</td>
</tr>
</tbody>
</table>

16. Last year, did you itemize your personal deductions when filing your federal tax return or take the standard deduction?

<table>
<thead>
<tr>
<th></th>
<th>Itemized</th>
<th>Standard deduction</th>
<th>Not sure</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Itemized</td>
<td>50.4%</td>
<td>63.0%</td>
<td>77.3%</td>
<td>84.2%</td>
</tr>
<tr>
<td>Standard deduction</td>
<td>35.5%</td>
<td>24.7%</td>
<td>15.3%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Not sure</td>
<td>14.1%</td>
<td>12.3%</td>
<td>7.5%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>234</td>
<td>1441</td>
<td>400</td>
<td>57</td>
</tr>
</tbody>
</table>
16a. The new tax law doubled the personal standard deduction. If you itemized last year, do you plan to itemize deductions again next year?

<table>
<thead>
<tr>
<th></th>
<th>No emp</th>
<th>1-9 emp</th>
<th>20-99 emp</th>
<th>100+ emp</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>57.5%</td>
<td>54.7%</td>
<td>61.6%</td>
<td>62.2%</td>
<td>56.4%</td>
</tr>
<tr>
<td>2. No</td>
<td>8.3%</td>
<td>10.5%</td>
<td>8.0%</td>
<td>6.7%</td>
<td>9.8%</td>
</tr>
<tr>
<td>3. Don’t know</td>
<td>34.2%</td>
<td>34.8%</td>
<td>30.4%</td>
<td>31.1%</td>
<td>33.9%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>120</td>
<td>1124</td>
<td>276</td>
<td>45</td>
<td>1565</td>
</tr>
</tbody>
</table>

17. Did you use a professional tax preparer, a tax software package, both, or neither to prepare your last federal business income tax return?

<table>
<thead>
<tr>
<th></th>
<th>No emp</th>
<th>1-9 emp</th>
<th>20-99 emp</th>
<th>100+ emp</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Used professional tax preparer</td>
<td>85.2%</td>
<td>91.6%</td>
<td>92.8%</td>
<td>94.8%</td>
<td>91.3%</td>
</tr>
<tr>
<td>2. Used tax software package</td>
<td>8.9%</td>
<td>4.4%</td>
<td>5.0%</td>
<td>3.4%</td>
<td>4.9%</td>
</tr>
<tr>
<td>3. Used both a tax professional and tax software</td>
<td>3.8%</td>
<td>2.4%</td>
<td>1.5%</td>
<td>--</td>
<td>2.3%</td>
</tr>
<tr>
<td>4. Used neither a tax professional nor tax software</td>
<td>1.7%</td>
<td>1.0%</td>
<td>0.2%</td>
<td>--</td>
<td>0.9%</td>
</tr>
<tr>
<td>5. Other</td>
<td>0.4%</td>
<td>0.7%</td>
<td>0.5%</td>
<td>1.7%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>237</td>
<td>1831</td>
<td>403</td>
<td>58</td>
<td>2529</td>
</tr>
</tbody>
</table>

18. In terms of time and money, do you expect tax preparation for you and your business to cost more, less, or about the same in 2018 as in 2017?

<table>
<thead>
<tr>
<th></th>
<th>No emp</th>
<th>1-9 emp</th>
<th>20-99 emp</th>
<th>100+ emp</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. More</td>
<td>11.4%</td>
<td>16.9%</td>
<td>15.3%</td>
<td>24.1%</td>
<td>16.3%</td>
</tr>
<tr>
<td>2. Less</td>
<td>3.4%</td>
<td>3.8%</td>
<td>4.4%</td>
<td>1.7%</td>
<td>3.8%</td>
</tr>
<tr>
<td>3. About the same</td>
<td>73.7%</td>
<td>73.0%</td>
<td>73.3%</td>
<td>65.5%</td>
<td>72.9%</td>
</tr>
<tr>
<td>4. Not sure</td>
<td>11.4%</td>
<td>6.4%</td>
<td>6.9%</td>
<td>8.6%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>236</td>
<td>1831</td>
<td>405</td>
<td>58</td>
<td>2530</td>
</tr>
</tbody>
</table>
19. Most of the new tax law's personal and pass-through business (LLCs, S-Corp, Partnerships, Sole Proprietors) tax provisions expire in 2025.

Does this uncertainty, not knowing how tax policy will change after 2025, affect your current or future business plans?

<table>
<thead>
<tr>
<th>Response</th>
<th>0-9 emp</th>
<th>10-19 emp</th>
<th>20-99 emp</th>
<th>100+ emp</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>10.0%</td>
<td>11.8%</td>
<td>11.7%</td>
<td>29.8%</td>
<td>12.1%</td>
</tr>
<tr>
<td>No</td>
<td>53.0%</td>
<td>55.1%</td>
<td>61.6%</td>
<td>50.9%</td>
<td>55.8%</td>
</tr>
<tr>
<td>Don't know</td>
<td>37.0%</td>
<td>33.1%</td>
<td>26.7%</td>
<td>19.3%</td>
<td>32.1%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>230</td>
<td>1800</td>
<td>393</td>
<td>57</td>
<td>2480</td>
</tr>
</tbody>
</table>

20. How important are the following changes in the tax law to you and your business?

**A. Changes to the personal income tax brackets and rates**

<table>
<thead>
<tr>
<th>Importance</th>
<th>0-9 emp</th>
<th>10-19 emp</th>
<th>20-99 emp</th>
<th>100+ emp</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>39.0%</td>
<td>44.8%</td>
<td>49.1%</td>
<td>45.8%</td>
<td>45.0%</td>
</tr>
<tr>
<td>Somewhat important</td>
<td>57.1%</td>
<td>40.7%</td>
<td>39.2%</td>
<td>50.8%</td>
<td>40.4%</td>
</tr>
<tr>
<td>Not very important</td>
<td>7.5%</td>
<td>5.6%</td>
<td>5.7%</td>
<td>1.7%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Not at all important</td>
<td>0.4%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.7%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Don't know</td>
<td>15.8%</td>
<td>7.7%</td>
<td>5.0%</td>
<td>--</td>
<td>7.8%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>228</td>
<td>1809</td>
<td>401</td>
<td>59</td>
<td>2497</td>
</tr>
</tbody>
</table>

**B. Creation of the 20% small business income tax deduction**

<table>
<thead>
<tr>
<th>Importance</th>
<th>0-9 emp</th>
<th>10-19 emp</th>
<th>20-99 emp</th>
<th>100+ emp</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>46.5%</td>
<td>56.1%</td>
<td>56.4%</td>
<td>50.8%</td>
<td>55.2%</td>
</tr>
<tr>
<td>Somewhat important</td>
<td>33.5%</td>
<td>28.8%</td>
<td>28.2%</td>
<td>23.7%</td>
<td>29.0%</td>
</tr>
<tr>
<td>Not very important</td>
<td>5.2%</td>
<td>4.2%</td>
<td>6.0%</td>
<td>15.3%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Not at all important</td>
<td>0.9%</td>
<td>1.2%</td>
<td>2.7%</td>
<td>6.8%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Don't know</td>
<td>13.9%</td>
<td>9.8%</td>
<td>6.7%</td>
<td>3.4%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>230</td>
<td>1812</td>
<td>401</td>
<td>59</td>
<td>2502</td>
</tr>
</tbody>
</table>

**C. Changes to the personal or corporate Alternative Minimum Tax (AMT) threshold**

<table>
<thead>
<tr>
<th>Importance</th>
<th>0-9 emp</th>
<th>10-19 emp</th>
<th>20-99 emp</th>
<th>100+ emp</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>19.3%</td>
<td>21.8%</td>
<td>31.0%</td>
<td>29.3%</td>
<td>23.3%</td>
</tr>
<tr>
<td>Somewhat important</td>
<td>28.7%</td>
<td>28.9%</td>
<td>32.0%</td>
<td>34.5%</td>
<td>29.5%</td>
</tr>
<tr>
<td>Not very important</td>
<td>13.0%</td>
<td>14.0%</td>
<td>13.0%</td>
<td>20.7%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Not at all important</td>
<td>7.2%</td>
<td>4.2%</td>
<td>3.8%</td>
<td>1.7%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Don't know</td>
<td>31.8%</td>
<td>31.0%</td>
<td>20.3%</td>
<td>13.8%</td>
<td>28.9%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>223</td>
<td>1790</td>
<td>400</td>
<td>58</td>
<td>2471</td>
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</table>
### D. Changes to the estate tax

<table>
<thead>
<tr>
<th></th>
<th>No emp</th>
<th>1-19 emp</th>
<th>20-99 emp</th>
<th>100+ emp</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>33.6%</td>
<td>39.8%</td>
<td>47.3%</td>
<td>62.7%</td>
<td>40.9%</td>
</tr>
<tr>
<td>Somewhat important</td>
<td>26.7%</td>
<td>24.1%</td>
<td>27.6%</td>
<td>18.6%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Not very important</td>
<td>15.5%</td>
<td>14.1%</td>
<td>13.4%</td>
<td>11.9%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Not at all important</td>
<td>5.2%</td>
<td>6.0%</td>
<td>3.5%</td>
<td>3.4%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>19.0%</td>
<td>15.7%</td>
<td>8.2%</td>
<td>3.4%</td>
<td>14.5%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>232</td>
<td>1811</td>
<td>402</td>
<td>59</td>
<td>2504</td>
</tr>
</tbody>
</table>

### E. Limiting the State and Local Tax deduction

<table>
<thead>
<tr>
<th></th>
<th>No emp</th>
<th>1-19 emp</th>
<th>20-99 emp</th>
<th>100+ emp</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>24.5%</td>
<td>32.9%</td>
<td>31.0%</td>
<td>35.6%</td>
<td>31.9%</td>
</tr>
<tr>
<td>Somewhat important</td>
<td>36.2%</td>
<td>34.1%</td>
<td>40.3%</td>
<td>37.3%</td>
<td>35.4%</td>
</tr>
<tr>
<td>Not very important</td>
<td>12.7%</td>
<td>11.2%</td>
<td>14.2%</td>
<td>20.3%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Not at all important</td>
<td>3.9%</td>
<td>4.5%</td>
<td>3.5%</td>
<td>5.1%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>22.7%</td>
<td>17.2%</td>
<td>11.0%</td>
<td>1.7%</td>
<td>16.4%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>229</td>
<td>1806</td>
<td>400</td>
<td>59</td>
<td>2494</td>
</tr>
</tbody>
</table>

### F. Doubling the standard deduction

<table>
<thead>
<tr>
<th></th>
<th>No emp</th>
<th>1-19 emp</th>
<th>20-99 emp</th>
<th>100+ emp</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>41.6%</td>
<td>44.5%</td>
<td>36.2%</td>
<td>22.0%</td>
<td>42.3%</td>
</tr>
<tr>
<td>Somewhat important</td>
<td>34.6%</td>
<td>33.3%</td>
<td>36.9%</td>
<td>39.0%</td>
<td>34.1%</td>
</tr>
<tr>
<td>Not very important</td>
<td>7.8%</td>
<td>8.1%</td>
<td>13.2%</td>
<td>27.1%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Not at all important</td>
<td>3.3%</td>
<td>2.4%</td>
<td>4.2%</td>
<td>8.5%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>14.7%</td>
<td>1.8%</td>
<td>9.5%</td>
<td>3.4%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>231</td>
<td>1804</td>
<td>401</td>
<td>59</td>
<td>2495</td>
</tr>
</tbody>
</table>

### G. Lowering the corporate tax rate

<table>
<thead>
<tr>
<th></th>
<th>No emp</th>
<th>1-19 emp</th>
<th>20-99 emp</th>
<th>100+ emp</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>35.5%</td>
<td>50.9%</td>
<td>62.6%</td>
<td>71.2%</td>
<td>51.8%</td>
</tr>
<tr>
<td>Somewhat important</td>
<td>23.2%</td>
<td>24.1%</td>
<td>20.7%</td>
<td>13.6%</td>
<td>23.2%</td>
</tr>
<tr>
<td>Not very important</td>
<td>11.0%</td>
<td>8.2%</td>
<td>5.7%</td>
<td>5.1%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Not at all important</td>
<td>11.8%</td>
<td>6.1%</td>
<td>4.7%</td>
<td>10.2%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>18.4%</td>
<td>10.8%</td>
<td>6.2%</td>
<td>--</td>
<td>10.5%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>228</td>
<td>1811</td>
<td>401</td>
<td>59</td>
<td>2499</td>
</tr>
</tbody>
</table>
H. Expiration of the law’s tax provisions (excluding corporate rate and corporate AMT which are permanent)

<table>
<thead>
<tr>
<th></th>
<th>No emp.</th>
<th>1-19 emp.</th>
<th>20-99 emp.</th>
<th>100+ emp.</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Very important</td>
<td>20.4%</td>
<td>22.0%</td>
<td>26.8%</td>
<td>35.6%</td>
<td>22.9%</td>
</tr>
<tr>
<td>2. Somewhat important</td>
<td>28.8%</td>
<td>33.3%</td>
<td>41.3%</td>
<td>37.3%</td>
<td>34.3%</td>
</tr>
<tr>
<td>3. Not very important</td>
<td>15.0%</td>
<td>12.6%</td>
<td>10.0%</td>
<td>5.1%</td>
<td>12.2%</td>
</tr>
<tr>
<td>4. Not at all important</td>
<td>7.2%</td>
<td>1.7%</td>
<td>0.3%</td>
<td>3.4%</td>
<td>1.5%</td>
</tr>
<tr>
<td>5. Don’t know</td>
<td>33.6%</td>
<td>30.5%</td>
<td>21.8%</td>
<td>18.6%</td>
<td>29.1%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>226</td>
<td>1796</td>
<td>400</td>
<td>59</td>
<td>2481</td>
</tr>
</tbody>
</table>

21. Have you incurred any expenses in the last 5 years, such as consulting a tax advisor or purchasing more life insurance, etc., than you otherwise would to reduce or eliminate any potential tax liability from the estate tax?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>No, but expect to in the future</th>
<th>Do not plan to pass on the business</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>10.0%</td>
<td>81.2%</td>
<td>4.4%</td>
<td>4.4%</td>
<td>100.0%</td>
</tr>
<tr>
<td>2. No</td>
<td>20.4%</td>
<td>71.7%</td>
<td>5.0%</td>
<td>3.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>3. No, but expect to in the future</td>
<td>26.9%</td>
<td>66.8%</td>
<td>4.3%</td>
<td>2.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>4. Do not plan to pass on the business</td>
<td>53.4%</td>
<td>39.7%</td>
<td>6.9%</td>
<td>--</td>
<td>100.0%</td>
</tr>
<tr>
<td>Total</td>
<td>49.5%</td>
<td>62.1%</td>
<td>62.1%</td>
<td>42.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>34</td>
<td>229</td>
<td>1796</td>
<td>394</td>
<td>291</td>
</tr>
</tbody>
</table>

21a. Do you expect the increased estate tax threshold to affect your strategy for reducing or eliminating any potential estate tax liability?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Not sure</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>20.6%</td>
<td>40.7%</td>
<td>49.5%</td>
<td>62.1%</td>
</tr>
<tr>
<td>2. No</td>
<td>29.4%</td>
<td>23.6%</td>
<td>24.8%</td>
<td>24.1%</td>
</tr>
<tr>
<td>3. Not sure</td>
<td>50.0%</td>
<td>35.7%</td>
<td>25.7%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>34</td>
<td>423</td>
<td>105</td>
<td>591</td>
</tr>
</tbody>
</table>

22. Last year, did you purchase a health insurance plan on the individual market (including on an exchange)?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>25.6%</td>
<td>31.6%</td>
<td>22.7%</td>
</tr>
<tr>
<td>2. No</td>
<td>74.4%</td>
<td>68.4%</td>
<td>77.3%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>219</td>
<td>1738</td>
<td>54</td>
</tr>
</tbody>
</table>

23
22a. The new tax law repeals the penalty for not having health insurance. Will this change affect your decision to purchase health insurance or the type of plan purchased?

<table>
<thead>
<tr>
<th>Employee Size of Firm</th>
<th>No emp.</th>
<th>1-19 emp.</th>
<th>20-99 emp.</th>
<th>100+ emp.</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes, I will likely drop my health insurance coverage</td>
<td>4.7%</td>
<td>2.7%</td>
<td>4.7%</td>
<td>–%</td>
<td>3.1%</td>
</tr>
<tr>
<td>2. Yes, I will likely purchase a different insurance plan</td>
<td>9.4</td>
<td>12.7</td>
<td>7.8</td>
<td>–</td>
<td>11.8</td>
</tr>
<tr>
<td>3. No, I will likely keep my insurance plan</td>
<td>68.2</td>
<td>70.5</td>
<td>75.2</td>
<td>--</td>
<td>71.0</td>
</tr>
<tr>
<td>4. Not sure</td>
<td>17.6</td>
<td>14.1</td>
<td>12.4</td>
<td>–</td>
<td>14.1</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>85</td>
<td>733</td>
<td>129</td>
<td>12</td>
<td>959</td>
</tr>
</tbody>
</table>

23. The new tax law increases business expensing limits from $510,000 to $1,000,000 for eligible capital expenditures. Will this change affect your investment plans over the next 1 – 3 years?

<table>
<thead>
<tr>
<th>No emp.</th>
<th>1-19 emp.</th>
<th>20-99 emp.</th>
<th>100+ emp.</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Yes</td>
<td>11.6%</td>
<td>13.5%</td>
<td>32.3%</td>
<td>51.7%</td>
</tr>
<tr>
<td>2. No</td>
<td>69.2</td>
<td>62.8</td>
<td>45.6</td>
<td>41.4</td>
</tr>
<tr>
<td>3. Not sure</td>
<td>19.2</td>
<td>23.6</td>
<td>22.1</td>
<td>6.9</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>224</td>
<td>1787</td>
<td>399</td>
<td>56</td>
</tr>
</tbody>
</table>

24. What is your personal federal income tax filing status?

<table>
<thead>
<tr>
<th>No emp.</th>
<th>1-19 emp.</th>
<th>20-99 emp.</th>
<th>100+ emp.</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Single</td>
<td>18.5%</td>
<td>15.9%</td>
<td>9.1%</td>
<td>12.5%</td>
</tr>
<tr>
<td>2. Married, filing jointly</td>
<td>76.4</td>
<td>79.6</td>
<td>86.1</td>
<td>85.7</td>
</tr>
<tr>
<td>3. Married, filing separately</td>
<td>1.7</td>
<td>2.1</td>
<td>2.8</td>
<td>–</td>
</tr>
<tr>
<td>4. Head of household</td>
<td>3.4</td>
<td>2.4</td>
<td>2.0</td>
<td>1.8</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>N</td>
<td>233</td>
<td>1821</td>
<td>397</td>
<td>56</td>
</tr>
</tbody>
</table>
25. Approximately, what were your gross sales in your last fiscal year?

<table>
<thead>
<tr>
<th>Employee Size of Firm</th>
<th>No emp.</th>
<th>1-19 emp.</th>
<th>20-99 emp.</th>
<th>100+ emp.</th>
<th>All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. &lt; $100,000</td>
<td>30.1%</td>
<td>6.6%</td>
<td>0.8%</td>
<td>1.8%</td>
<td>7.7%</td>
</tr>
<tr>
<td>2. $100,000 - $249,999</td>
<td>21.7%</td>
<td>13.8%</td>
<td>4.3%</td>
<td>--</td>
<td>12.7%</td>
</tr>
<tr>
<td>3. $250,000 - $499,999</td>
<td>14.2%</td>
<td>19.5%</td>
<td>4.5%</td>
<td>--</td>
<td>16.1%</td>
</tr>
<tr>
<td>4. $500,000 - $999,999</td>
<td>9.3%</td>
<td>22.6%</td>
<td>4.0%</td>
<td>--</td>
<td>17.9%</td>
</tr>
<tr>
<td>5. $1m - $4.9m</td>
<td>10.2%</td>
<td>28.8%</td>
<td>37.4%</td>
<td>5.4%</td>
<td>28.0%</td>
</tr>
<tr>
<td>6. $5m - $9.9m</td>
<td>3.1%</td>
<td>2.1%</td>
<td>25.1%</td>
<td>10.7%</td>
<td>6.1%</td>
</tr>
<tr>
<td>7. $10m plus</td>
<td>1.3%</td>
<td>0.9%</td>
<td>16.8%</td>
<td>76.8%</td>
<td>5.2%</td>
</tr>
<tr>
<td>8. Prefer not to answer</td>
<td>10.2%</td>
<td>5.7%</td>
<td>7.0%</td>
<td>5.4%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

N 226 1791 398 56 2471

26. If owner, how many businesses (in total) do you have at least a 25% ownership share in?

<table>
<thead>
<tr>
<th>1. One</th>
<th>80.7%</th>
<th>68.3%</th>
<th>50.1%</th>
<th>26.5%</th>
<th>65.8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Two</td>
<td>13.3%</td>
<td>21.8%</td>
<td>28.3%</td>
<td>24.5%</td>
<td>22.1%</td>
</tr>
<tr>
<td>3. Three</td>
<td>4.1%</td>
<td>6.8%</td>
<td>14.3%</td>
<td>20.4%</td>
<td>8.0%</td>
</tr>
<tr>
<td>4. More than three</td>
<td>1.8%</td>
<td>3.1%</td>
<td>7.3%</td>
<td>28.6%</td>
<td>4.1%</td>
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<tr>
<td>Total</td>
<td>100.0%</td>
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<td>100.0%</td>
</tr>
</tbody>
</table>

N 218 1774 371 49 2412

27. What percent of your total household income comes from your business(es)?

| 1. 1 – 25% | 23.5% | 8.7% | 4.7% | 3.7% | 9.3% |
| 2. 26 – 50% | 12.4% | 11.6%| 5.7% | 3.7% | 10.5%|
| 3. 51 – 75% | 15.0% | 16.0%| 11.9%| 9.3% | 15.1%|
| 4. 76 – 99% | 20.4% | 25.6%| 30.9%| 31.5%| 26.1%|
| 5. 100%    | 28.8% | 38.1%| 46.8%| 51.9%| 38.9%|
| Total      | 100.0%| 100.0%| 100.0%| 100.0%| 100.0%|

N 226 1791 385 54 2456
Mr. UPTON. Thank you.
Mr. McCammon, president of Anamet Electrical, Incorporated.
We welcome you. And you are recognized for 5 minutes.

STATEMENT OF SAM MCCAMMON

Mr. McCAMMON. Thank you. Chairman Upton, Ranking Member Rush, and members of the subcommittee, thank you for the opportunity to testify in front of you today on such an important topic, the impact the Tax Cuts and Jobs Act has had on businesses in the energy sector.

My name is Sam McCammon, and I am president of Anamet Electrical, Incorporated. Anamet is the global leader in offering the highest quality products, superior service, and pioneering innovations for flexible liquid-tight electrical wiring conduit and industrial stainless steel hose.

Our products are used in buildings, power plants, including the only flexible conduit rated for use in nuclear power plants in containment areas, and military installations, industrial facilities, and mass transit systems around the world. Based in Mattoon, Illinois, Anamet has been serving the global electrical industry for more than 100 years.

According to a recent survey of electrical manufacturers, 53 percent said that tax reform has already had a net positive impact on their business, while an additional 34 percent are waiting for full implementation before they can assess the benefits of tax reform. Nearly one in three electrical manufacturers surveyed said they had already made investments in employee salaries and benefits, domestic employment, equipment, or research and development. The survey also found that more than half of those surveyed are planning to take actions because of the Tax Cuts and Jobs Act.

At Anamet Electrical, Incorporated, we have benefited from the lower corporate tax rate, and we made investments in our employees and equipment as a result. After foregoing pay raises for consecutive years, we were able to finally give our employees a much deserved wage increase.

Furthermore, because of the increase in the Section 179 deduction limit, Anamet is planning to increase our capital expenditures in 2019 by over 100 percent from normal investment levels. These investments in manufacturing equipment will reduce our costs enough to better position us to be competitive with our competition, both foreign and domestic, and will open up new markets in bulk transfer hose and exhaust hose, including the European market. We also plan a significant investment in testing a new compound for our nuclear power generation Sealtite product to comply with required radiation testing procedures.

Despite all of its benefits, there are a few issues with the Tax Cuts and Jobs Act that need to be resolved before we can realize the full benefits of the legislation.

The Tax Cuts and Jobs Act aimed to spur investments in upgrades and improvements to commercial properties by making qualified improvement property, or QIP, eligible for accelerated bonus depreciation and subject to a 15-year depreciation recovery period.
Unfortunately, the text of the final bill mistakenly defaults to a depreciation recovery period of 39 years rather than 15 years. The chart in my testimony clearly shows you the impact of it there. We ask that Congress include a fix to this issue in an upcoming legislation that can be signed into law.

Also of concern to electrical manufacturers are the Base Erosion Anti-Abuse Tax and Global Intangible Low-Taxed Income, GILTI, provisions. These are detailed in my written testimony, but we believe they can be clarified with guidance from Treasury.

Anamet Electrical, Incorporated, and many other electrical manufacturers support the Tax Cuts and Jobs Act, and businesses like mine are already reaping the benefits. However, the changes I just spoke about are needed for the full potential of the legislation to be realized.

I thank the committee for hosting this hearing and for inviting Anamet Electrical, Incorporated, to testify. We look forward to working with and being a resource for the committee as you continue to work to make U.S. manufacturers like Anamet more competitive.

Thank you for your attention, and I look forward to answering any questions you might have concerning my testimony.

[The prepared statement of Mr. McCammon follows:]
TESTIMONY OF

SAM MCCAMMON
PRESIDENT
ANAMET ELECTRICAL INC.

HEARING ON
THE BENEFITS OF TAX REFORM ON THE ENERGY SECTOR AND CONSUMERS

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON ENERGY

JUNE 20, 2018
SUMMARY OF TESTIMONY

ANAMET Electrical Inc. has benefitted from the TCJA: At ANAMET Electrical Inc., we have benefited from the lower corporate tax rate—reduced from 35 percent to 21 percent—and we made investments in our employees and equipment as a result. After foregoing pay raises for consecutive years, we were finally able to give our employees a much-deserved 3 percent wage increase. Furthermore, because of the increase in the section 179 deduction limit from 100 percent of $500,000 to 100 percent of $1,000,000, and 50 percent above $1,000,000, ANAMET is planning to increase our capital expenditures in 2019 by over 100 percent from normal investment levels. These investments will reduce our cost enough to better position us among our competition, both foreign and domestic. More specifically, the savings from the Tax Cuts and Jobs Act will allow us to invest in equipment, which opens up new markets in bulk transfer hose and exhaust hose. We also plan a significant investment in testing a new compound for our nuclear power generation Sealtite product.

Manufacturers support the Tax Cuts and Jobs Act and are already benefiting: According to a recent survey of electrical manufacturers, 53 percent said that the Tax Cuts and Jobs Act (TCJA) has already had a net positive impact on their businesses, while an additional 34 percent are waiting for full implementation before they can assess the benefits of the legislation. Nearly one in three electrical manufacturers surveyed said they had already made investments in employee salaries and benefits, domestic employment, equipment, or research and development. The survey also found that 53 percent intend to take actions because of the TCJA; of those manufacturers, nearly 74 percent intend to increase domestic employment, 71 percent intend to invest in new plant and equipment, 66 percent will invest in research and development funding, and 64 percent will increase employee salaries, bonuses, or benefits.

Fixes need to be made to realize the full potential of the TCJA: Despite all of its benefits, there are a few issues with the Tax Cuts and Jobs Act that need to be resolved before we
can realize the full benefits of the legislation. Three primary issues are impacting electrical manufacturers: a drafting error impacting the definition of qualified investment property (QIP, also known as the “retail glitch”), base erosion anti-abuse tax (BEAT), and global intangible low-taxd income (GILTI).
Chairman Upton, Ranking Member Rush, and Members of the Subcommittee:

Thank you for the opportunity to testify in front of you today on such an important topic—the impact that the Tax Cuts and Jobs Act has had on businesses in the energy sector.

My name is Sam McCammon, and I am the President of ANAMET Electrical Inc.

ANAMET is the global leader in offering the highest quality products, superior service, and pioneering innovations for flexible liquid-tight electrical wiring conduit and industrial stainless steel hose. Our products are used in buildings, power plants (including the only flexible conduit rated for use in nuclear power plants), military installations, industrial facilities, and mass transit systems around the world. Based in Mattoon, Illinois, ANAMET has been serving the global electrical industry for more than 100 years.

According to a recent survey of electrical manufacturers, 53 percent said that tax reform has already had a net-positive impact on their businesses, while an additional 34 percent are waiting for full implementation before they can assess the benefits of tax reform. Nearly one in three electrical manufacturers surveyed said they had already made investments in employee salaries and benefits, domestic employment, equipment, or research and development. The survey also found that 53 percent of manufacturers surveyed intend to take actions because of the Tax Cuts and Jobs Act. Of those manufacturers, nearly 74 percent intend to increase domestic employment, 71 percent intend to invest in new plant and equipment, 66 percent will invest in research and development funding, and 64 percent will increase employee salaries, bonuses, or benefits.

At ANAMET Electrical Inc., we have benefitted from the lower corporate tax rate—reduced from 35 percent to 21 percent—and we made investments in our employees and equipment as a result. After foregoing pay raises for consecutive years, we were able to finally give our employees a much-deserved 3 percent wage increase. Furthermore, because of the
increase in the section 179 deduction limit from 100 percent of $500,000 to 100 percent of $1,000,000, and 50 percent above $1,000,000, ANAMET is planning to increase our capital expenditures in 2019 by over 100 percent from normal investment levels. These investments will reduce our cost enough to better position us to be competitive with our competition, both foreign and domestic. More specifically, the savings from the Tax Cuts and Jobs Act will allow us to invest in equipment to open up new markets in bulk transfer hose and exhaust hose. These are two product segments that we can reach with additional investment in manufacturing equipment. This investment would allow us to compete in the European market for exhaust hoses as well.

We also plan a significant investment in testing a new compound for our nuclear power generation Sealite product. This testing is a significant investment due to required radiation testing procedures.

Despite all of its benefits, there are a few issues with the Tax Cuts and Jobs Act that need to be resolved before we can realize the full benefits of the legislation. Three primary issues are impacting electrical manufacturers: a drafting error impacting the definition of qualified investment property (QIP, also known as the “retail glitch”), base erosion anti-abuse tax (BEAT), and global intangible low-taxed income (GILTI).

Qualified Improvement Property (QIP)

H.R. 1 aimed to spur investment in upgrades and improvements to commercial properties by making qualified improvement property or “QIP” (generally, improvements to the interior of existing nonresidential buildings) eligible for accelerated bonus depreciation and subject to a 15-year depreciation recovery period. This policy, which we support, is consistent with years of bipartisan efforts to encourage such investments.

The text of the final bill, however, mistakenly failed to assign QIP a 15-year Modified Accelerated Cost Recovery System (“MACRS”) recovery period. As a result of this pure drafting
error, QIP no longer qualifies for bonus depreciation and defaults to a MACRS recovery period of 39 years, rather than 15 years.

It is evident this was a drafting error. The Joint Explanatory Statement accompanying the final legislative text says that the Act assigned “a general 15-year MACRS recovery period for qualified improvement property” and the bill was scored as if the 15-year assignment were made. This error is also among the few provisions in the Act identified by the Joint Committee on Taxation as needing a true “technical correction.”

This error is already slowing investments in commercial renovation projects—the opposite of lawmakers’ longstanding and laudable goal to grow such investments and fuel-related economic activity. It also is causing numerous ripple effects on sales of products, job creation, property values, building occupancy and rental income, cost-saving energy efficiency gains, and fire safety.

We believe this issue cannot be resolved by guidance from Treasury and instead must be fixed by Congress. We ask that Congress include a fix to this issue in any upcoming legislation that can be signed into law. The chart in my testimony clearly shows you the impact of this provision.
The Impact of the Retail Glitch on a $100 Qualified Improvement Property Investment

The owner of a diner invests $100 in a new sink.

Now they need to find out how much of the sink they can write off as a business expense and how much they owe in taxes.

**Prior Law**
- Under prior law, the sink is eligible for 50% bonus depreciation, generally a 15-year recovery period.

**TCJA as Intended**
- Under TCJA as intended, 100% of the sink is eligible for bonus depreciation.

**TCJA as Written**
- Under TCJA as written, it’s not eligible for 100% bonus depreciation and instead has a 39-year recovery period.

<table>
<thead>
<tr>
<th>Allowable cost recovery</th>
<th>Business owner allowed</th>
<th>Business owner allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>$89.48</td>
<td>$100 of cost recovery</td>
<td>$41.12 of cost recovery</td>
</tr>
</tbody>
</table>

Tax owed:
- $5.47 for Prior Law
- $0 for TCJA as Intended
- $12.15 for TCJA as Written

Source: Author's calculations. Assumes half-year convention, 2 percent inflation, and 3.5 percent real discount rate.

**Base Erosion Anti-Abuse Tax (BEAT)**

The next issue of concern to electrical manufacturers is what qualifies as a “base erosion payment.” After reviewing the final language and consulting with tax experts, we believe the current provisions are broad and can lead to significant uncertainty. Electrical manufacturers are asking that Treasury provide guidance and regulations interpreting the provisions as narrowly as...
possible in order to tailor the Base Erosion Anti-abuse Tax provision as an anti-abuse provision and not an additional tax on legitimate cross-border commerce. We ask that Members of this Committee contact the Treasury as well.

Global Intangible Low-Taxed Income (GILTI)

The last issue facing electrical manufacturers has to do with the Global Intangible Low-Taxed Income provisions, which in our view need additional guidance from Treasury. We believe the congressional intent is to ensure that U.S. corporations could not permanently avoid U.S. tax on intangible income shifted to low-taxed jurisdictions. However, the actual effect on U.S. multi-national corporations without U.S. intellectual property located in a low-tax-rate foreign country appears to have been unintended. Congress should contact Treasury to reaffirm the intent of these provisions.

Conclusion

ANAMET Electrical Inc. and many other electrical manufacturers support the Tax Cuts and Jobs Act, and businesses like mine are already reaping the benefits. However, there are changes to the law that should be made for the full potential to be realized, including fixing the qualified improvement property error (QIP, i.e., the retail glitch), and additional guidance on base erosion anti-abuse tax (BEAT), and global intangible low-taxed income. (GILTI).

I thank the Committee for hosting this hearing and for inviting ANAMET Electrical Inc. to testify. We look forward to working with and being a resource for the Committee as you continue your work to make U.S. manufacturers like ANAMET more competitive.

Thank you for your attention, and I look forward to answering any questions you might have concerning my testimony.
Mr. UPTON. Thank you very much.
We are joined by Mr. Seth Hanlon, senior fellow for the Center for American Progress.
Welcome to you. Again, thanks for your testimony. You, too, are recognized for 5 minutes.

STATEMENT OF SETH HANLON

Mr. HANLON. Thank you, Mr. Chairman, Mr. Rush, Mr. Pallone, members of the committee opportunity. Thank you for the opportunity to discuss the effects of the 2017 tax law.
My testimony will focus on the law as a whole and the ways it is failing to fulfill the promises that were made about it.
Now, we should be clear that the full effects of the tax bill will take years and even decades to materialize. But the early indications are that it is functioning as its critics predicted: conferring windfall tax cuts on wealthy Americans and large corporations which are using the tax cuts, first and foremost, to reward shareholders through stock buybacks, that it is having little or no effect on wages, that it is ballooning the Federal budget deficit and raising healthcare costs for working Americans. And I will discuss each of these points in turn.
First, this was supposed to be a tax bill focused on the middle class and small businesses. In reality, the tax cuts are badly skewed to large corporations and wealthy Americans who were already receiving an outsized share of the economy's gains. The highest income 1 percent of the Americans are receiving an average tax cut more than 50 times bigger than the average middle-income household.
And even the provision of the bill that is supposed to be for small businesses is going to very wealthy business owners and investors. More than 60 percent of the benefit of the new pass-through deduction is going to people with incomes in the top 1 percent of all Americans, according to the Joint Tax Committee.
And at the same time, 8.5 million households will see a tax increase this year, nearly 8 million of which have incomes of $200,000 or less. And even those households that receive modest tax cuts in the near term may well be worse off when the tax cuts are ultimately paid for.
The tax bill is projected to add 1.9 trillion to deficits over the next 10 years, increasing pressure on Social Security, Medicare, Medicaid, and education. And we can't know at this point how that cost will be offset. But under the most likely scenarios for financing the tax cut, most low- and middle-income Americans are made worse off in the end.
Second, 6 months after the tax bill passed, workers' wages have not increased at all in real terms: in other words, when taking into account the rise of prices. The latest report from the Bureau of Labor Statistics found that average hourly earnings for production and nonsupervisory workers, which is 80 percent of American workers, were a tiny bit less than they were at this point last year. Average hourly earnings for all workers were similarly unchanged.
And remember, the reason for the bill's massive tax cuts for corporations was supposed to be that they would trickle down to workers in the form of higher pay. The White House even predicted that
the average household income will be $4,000 more than it would otherwise be because of the tax bill.

Now, this ignored both evidence and recent history where record levels of after-tax corporate profits failed to translate into real wage gains for workers. And, again, it will take years for a complete assessment of the tax bill’s effects, but we should be clear that 6 months after its passage American workers haven’t gotten the real raise that they were promised.

Third, tax bill proponents repeatedly claimed that it would pay for itself, which is something that no credible economist believed. The Congressional Budget Office now projects 1.9 trillion in additional debt over the next decade. The tax law is already worsening Federal deficits by draining revenue.

In large part as a result of the tax law, the budget deficit for the first 5 months of this year has topped $300 billion, and that is up 38 percent compared to the same period last year. The monthly budget deficit for this past month increased 66 percent over last May. Revenue from corporate taxes is on pace to decline by about $110 billion this year.

The House majority is now reportedly considering making the temporary provisions of the tax bill permanent which would compound the damage to the Federal budget and lock in flawed and unfair changes to the Tax Code.

And why does this matter? Because the proponents of the tax bill promised that the tax cut wouldn’t need to be paid for with cuts to Social Security, Medicare, Medicaid, or other essential services because the tax bill would pay for itself, and that is just not happening.

Fourth, while there is the clear surge in companies using their tax cut to distribute cash to shareholders through buybacks, there is no economywide evidence of any surge in business investment, and certainly not the kind of enormous surge that would be necessary to fulfill the promises about the bill.

Instead, corporations have announced nearly half a trillion dollars of stock buybacks, which is a record level, and that is money being paid out of corporations, some of it to corporate insiders, that is not being invested in equipment, R&D, or workers.

And fifth and finally, the tax bill is undermining Americans’ access to healthcare. The individual mandate repeal—it helped keep premiums affordable by encouraging healthier people to obtain health insurance coverage—and over time 9 million fewer people will have health insurance coverage as a result. Marketplace health insurance premiums will be 10 percent higher than they would otherwise be, which translates into almost a $2,000 increase for the average benchmark plan for a family of four.

And, finally, the Medicare trustees reported this month that the tax bill is one of the reasons that Medicare’s projected finances are worse this year compared to last year, with exhaustion of the trust fund now projected to arrive 3 years earlier.

Thank you very much.

[The prepared statement of Mr. Hanlon follows:]
Mr. Chairman, Ranking Member Rush, Members of the Committee, thank you for the opportunity to discuss the effects of the 2017 tax law, informally known as the Tax Cuts and Jobs Act (TCJA). My testimony will focus on the law as a whole, and the ways in which it is failing to fulfill the promises that were made about it.

Rather than prioritize the working families who have struggled economically in recent decades, TCJA provided massive tax cuts for corporations and high-income Americans who were already receiving an outsized share of the economy’s gains. The top 1 percent of Americans are getting a tax cut more than 50 times bigger than middle-income families – and in fact 8.5 million families will see their taxes go up this year. By draining revenue, TCJA will increase budget deficits by $1.9 trillion over the next decade, increasing the pressure on middle-class priorities like Social Security, Medicare, and Medicaid. By repealing part of the Affordable Care Act, the law is already increasing health care premiums for next year and directly harming Medicare’s finances.

The full effects of the tax law will take years and even decades to materialize. But the early indications are that it is functioning as its critics predicted: conferring windfall tax cuts on wealthy Americans and large corporations, which are using the tax cuts primarily to reward wealthy shareholders through stock buybacks; having little or no effect on wages; raising health care costs for working Americans; and ballooning the federal budget deficit.
1. The tax law was badly skewed to the highest-income Americans

Proponents of the tax law claimed that it is focused on workers, small businesses, and the middle class, but in reality it is badly skewed to large corporations and wealthy Americans.

The highest-income 1 percent of Americans (people with incomes of at least $732,000, averaging $2.25 million) are receiving an average tax cut of $51,140 from the bill this year – more than 50 times the benefit for the average middle-income household. High-income Americans are even receiving disproportionately large tax cuts as a percentage of their income: For example, millionaires are receiving tax cuts that are about three times as large, as a percentage of their very large incomes, as middle-income workers, as a percentage of their much more modest incomes. (See Figure 1.) At the same time, 8.5 million households will see a tax increase this year, nearly 8 million of which have incomes of $200,000 or less.

![FIGURE 1 Tax bill’s distributional impact is skewed toward higher earners](image)

TCJA is even more skewed to the rich over the long-run, with fully 83 percent of the benefit going to the top 1 percent in 2027. That is because the bill’s authors chose to make the corporate
tax cuts permanent, and to pay for those corporate tax cuts over the long-run by undermining the Affordable Care Act (resulting in fewer people with health insurance) and through a broad-based tax increase on individual taxpayers (through a change in how the tax code is indexed for inflation). What's more, even those households that receive modest tax cuts can easily be made much worse off when the tax cuts are ultimately paid for, as they must be one way or another. TCJA is projected to add $1.9 trillion to deficits over the next ten years. We cannot know at this point how that cost will be offset, but under the most likely scenarios for financing the tax cut, the costs for most low- and middle-income Americans will exceed the tax cuts they receive in the short-run.

2. Workers' wages are essentially flat

The White House predicted that the corporate tax cut in the tax bill would boost average household income in the medium term by at least $4,000 relative to what it would be without the tax bill. That claim was unfounded and widely criticized, since it relied on extremely tenuous connections between corporate profitability and workers' wages and a misreading of the economic evidence. After-tax corporate profits were at record highs before the tax law, companies were sitting on historically high levels of cash, and the actual taxes that U.S. companies were paying were in line with companies in other major economies. The more fundamental problem was, and still is, that the link between corporate profits and workers' wages has been broken. In this environment, Congress would have better served American workers by focusing on policies to increase their wages and bargaining power or directly supplement their wages through expansions of pro-work tax credits like the Earned Income Tax Credit (EITC).

Instead, TCJA gave massive tax cuts to corporations, wealthy business owners, and high-income people generally on the false premise that the benefits would trickle down to workers.
Meanwhile, the Trump Administration has taken numerous actions to undercut workers’ ability to secure better pay and benefits.\(^\text{1}\)

Six months is not nearly enough time for a full accounting of TCJA. But the reality so far is that wages for American workers are essentially flat, in real terms. In other words, when taking into account the rise of prices, average workers are just treading water. According to the Bureau of Labor Statistics, average hourly earnings for production and nonsupervisory workers – a category that includes roughly 80 percent of American workers\(^\text{2}\) – were $22.59 last month, compared to $22.62 (in inflation-adjusted terms) in May 2017. Average hourly earnings for all workers were similarly unchanged.\(^\text{3}\) (See Figure 2.)

![Typical workers have seen no real wage growth over the past year](image)

This is especially concerning given that the unemployment rate has been falling steadily for almost a decade. (See Figure 3.)
Despite much hoopla over the one-time bonus payments that some companies attributed to the tax bill soon after its passage, there is scant evidence that overall bonus payments for workers were that much higher than they are in a typical year. Every year, nearly 40 percent of workers receive some kind of bonus.\textsuperscript{61} The corporate bonus announcements that garnered much fanfare involved less than five percent of workers.\textsuperscript{61} And to the extent that one-time bonuses are substituting for annual raises, workers will see their pay fall behind over time.\textsuperscript{61}

The bottom line: American workers are still overdue for a real raise, and haven’t gotten it yet.
3. **Deficits are spiking**

TCJA’s proponents repeatedly claimed that the bill would pay for itself—something that no credible economist believed. In the face of all evidence, proponents dismissed the warnings that the tax bill would add massively to deficits. During consideration of TCJA, the Joint Committee on Taxation projected that it would add $1.5 trillion to deficits—more than $1 trillion with macroeconomic effects (i.e. “dynamic” revenue feedback). The Congressional Budget Office’s more recent estimate is for an even larger deficit impact—$1.9 trillion over the next decade.

These are not just projections: The tax law is already worsening federal deficits by draining revenue. In large part as a result of TCJA, the federal budget deficit for the first five months of 2018 has topped $300 billion—up 38 percent compared to the same period last year. The monthly budget deficit for this past month, May 2018, was $147 billion—an increase of 66 percent over last May.xvii Revenue from corporate taxes is on pace to decline by about $110 billion this year.xviii The House majority is now reportedly considering making the temporary provisions of TCJA permanent, which would compound the damage to the federal budget and lock in flawed and unfair changes to the tax code.xix (See Figure 4.)

Why does this matter? Because the proponents of the tax bill promised that the tax cuts wouldn’t need to be paid for with cuts to Social Security, Medicare, Medicaid, or other essential services.
4. Corporations are using the tax cut to reward shareholders, with little evidence of substantial new investment

Before TCJA was enacted, many economists predicted that corporations would simply pass along their tax cuts to shareholders through stock buybacks and dividends instead of investing them or raising worker pay. Sure enough, the passage of TCJA has prompted a huge surge in stock buybacks: Companies have announced nearly half a trillion dollars in stock buybacks in the six months since the bill passed—a record pace. To the extent companies are taking their tax windfalls and paying them out to shareholders through buybacks or otherwise, it means they are not investing in equipment, R&D, or their workforce. Since fewer than half of Americans own any corporate stock (including indirect ownership through 401(k) plans and other investment vehicles),
and the wealthiest 10 percent of Americans own 84 percent of stocks, the wave of stock buybacks is only further enriching those at the top. There are even signs that corporate insiders are manipulating stock buybacks to line their own pockets by cashing out their own stock.

Furthermore, despite anecdotal claims, there is no economy-wide evidence of a surge of business investment as a result of the tax bill. As noted by economist Dean Baker, manufacturers' new orders of nondefense capital goods excluding aircraft have yet to reach levels hit in 2014. The most recent GDP report showed that business investment actually grew slightly more slowly during the first quarter of 2018 than it did in last year's first quarter. A national survey of business executives conducted by the Atlanta Federal Reserve Bank and economists from the University of Chicago and Stanford in February found that about three-quarters of firms were not planning to change their capital investment plans for 2018 or 2019 as a result of TCJA.

There is also no reason at all to think that corporations will pass on their tax cut to consumers through lower prices. To be sure, some regulated utilities are required by law to pass on their higher profits resulting from the corporate tax cut to consumers. But in that respect, regulated utilities are the exception that proves the rule, since no other companies that receive tax cuts are required to pass their tax savings on – and there is no reason to think that they will. The pharmaceutical industry, for example, was one of the major beneficiaries of the tax law – but by all evidence, none of the big drug companies are using their tax savings to lower prices for consumers, even as they distribute cash to shareholders through buybacks.

5. Health care sabotage is taking a toll

The tax law is also undermining Americans’ access to health care. TCJA repealed the Affordable Care Act’s individual mandate, which helped keep premiums affordable by encouraging healthier people to obtain health insurance coverage. Over time, about 9 million fewer
people will have health insurance coverage as a result, CBO projects.\textsuperscript{xxiv} Because fewer people will have health insurance, the government is projected to spend less on Medicaid and on tax credits that help people afford insurance. In the tax law, those budget “savings” were dedicated to paying for a permanent tax cut for corporations.

Because of this health care sabotage, health insurance premiums in the individual market will be 10 percent higher than they otherwise would be in 2019, according to CBO.\textsuperscript{xxv} That means that the average benchmark plan for a family of four would be $1,990 higher next year, and even higher in states with more expensive health care markets.\textsuperscript{xxvi} To be clear, that is just the effect of the tax law – and would be on top of any change in premiums due to other factors, including other actions by the Trump Administration intended to sabotage health care markets. In several states, large premium increases have already been announced preliminarly, with some insurance carriers specifically citing the individual mandate repeal as a reason for the premium hike.\textsuperscript{xxvii}

The tax law’s health care sabotage is also already harming Medicare. As the Medicare trustees concluded in their annual report, TCJA is one of the reasons that Medicare’s projected finances are worse this year compared to last year, with exhaustion of the Medicare trust fund now projected to arrive three years earlier.\textsuperscript{xxviii} Specifically, because of the increase in uninsured, TCJA will increase Medicare payments to hospitals for uncompensated care; the tax law also lowers the amount of revenue going into the Medicare Trust Fund.\textsuperscript{xxix}

* * *

In sum, the 2017 tax law is failing to fulfill the promises made by its proponents. There is no sign that the massive giveaways to the wealthy and corporations are trickling down to workers. Instead, TCJA is increasing health care costs while inflating federal deficits, and thus putting essential priorities like Social Security, Medicare, Medicaid, and education at greater risk.
"Sec. VIII Summary

The-tax-cuts-and-jobs-act; Baseline: Current Law

"Sec. XIII Economic Effects of Corporate Tax Cuts

Thanks to Chye-Ching Huang, Greg Leiserson, and my colleagues at American Progress including Alex Rowell, Alex Thornton, and Safia Sayed for helpful feedback and assistance.


"Sec. XI Government For Fiscal 2017


"Sec. IX Tax Cuts and Leprechauns (Wonkish)


"Sec. VIII Economic Growth


The Medicare Trust Fund is projected to be depleted in 2026. Last year’s trustees report projected it to be depleted in 2029.

Mr. UPTON. Thank you.
Mr. Tom Ferguson, CEO of AZZ, Incorporated, welcome to you.

STATEMENT OF TOM FERGUSON

Mr. FERGUSON. Good morning, Chairman Upton, Ranking Member Rush, and distinguished members of the committee. My name is Tom Ferguson, and I am president and CEO of AZZ, Incorporated. I have spent more than 40 years working in various leadership roles in the manufacturing and energy sectors, much of it working and living overseas.

So I am proud to be home in Texas and now leading AZZ, a company founded in Fort Worth, Texas, in 1956, the same year I was born. AZZ has now grown into a global provider of welding solutions, specialty electrical equipment, and highly engineered services. And we are the acknowledged leader in hot dip galvanizing in North America, which is all about make infrastructure last longer.

We primarily serve the energy and infrastructure sectors, including everything from nuclear power plants to solar to refineries and everything beyond. AZZ is still based in Fort Worth. We have over 60 locations worldwide, including 55 located in the United States.

AZZ, like most manufacturers, was truly excited to see Congress pass the Tax Cuts and Jobs Act last December. Quite frankly, in terms of taxation, it leveled the playing field with our global competitors that it enjoyed the ability to invest more heavily due to their lower tax rates. What tax reform really did to AZZ was it gave us the opportunity to rethink afresh.

At AZZ, we have budgeted a 33 percent blended global tax rate coming into this new fiscal year, but tax reform has brought our global blended rate down to about 22 to 23 percent. Between the cash savings from this and the accelerated depreciation at 100 percent of our capital investments, AZZ has over 10 million of incremental cash that we can now apply to new investments and employee benefits.

According to a recent National Association of Manufacturers survey on the impact of tax reform, 86 percent said they plan to increase investments, 77 percent said they plan to increase hiring, and 72 percent said they plan to increase employee benefits.

At AZZ, we have budgeted a 33 percent blended global tax rate coming into this new fiscal year, but tax reform has brought our global blended rate down to about 22 to 23 percent. Between the cash savings from this and the accelerated depreciation at 100 percent of our capital investments, AZZ has over 10 million of incremental cash that we can now apply to new investments and employee benefits.

AZZ is creating more jobs to staff the new facility, probably in the Carolinas or Georgia. We plan to hire 25 to 50 new workers. We also plan to add 150 to 250 new workers to our existing galvanizing facilities to support the growth we see.

At AZZ we are not just investing in capital, we are also taking big steps to ensure that our employees share in the benefits of tax reform. We have already invested $1.75 million in financial rewards and special bonuses, including $750,000 into a new rewards and recognition program. AZZ has also already given special bonuses of about $1 million to our employees. This was in addition
to our normal short-term incentive programs that paid out last month.

We recently decided to increase the wages of about 1,000 of our lowest wage earners by $1 to $4 per hour, which is an additional $3 million to $4 million benefit to our employees. And we have doubled our training budgets.

Finally, tax reform is allowing AZZ to give back to our employees and their communities in a unique way by creating a charitable foundation called AZZ Cares that helps our employees cover critical expenses in a time of crisis and also supports local charities.

The idea started with a companywide GoFundMe drive last year after Hurricane Harvey impacted many of our employees. AZZ raised $210,000, including the company match, to help them get back on their feet. We were so impressed by how the AZZ family stepped up that we decided to form our own AZZ Cares Foundation.

As the chief executive of AZZ, I see the benefits of tax reform firsthand. Optimism and demand are rising. I am investing in my business, my employees, and my community. And I also know that many others are as well.

But naturally there is more that manufacturers would like to have seen in tax reform, such as repealing several changes set to take effect in coming years. These serve as disincentives to investment and innovation, like a planned phaseout of full expensing and modifications to the treatment of currently deductible R&D expenses that would make it more expensive to perform research, as well as imposing further limitations on the ability of businesses to deduct interest expense.

Finally, as a general principle, manufacturers also urge you to regularly reevaluate the international competitiveness of our tax system. Please stay vigilant to ensure the U.S. is an attractive place to start and grow a business and remains globally competitive in tax rates and structure. We have productive, motivated workers in the U.S., but need to ensure they have a level playing field in the global manufacturing sector.

So again, thank you for your hard work to get this done. Thank you for inviting me to testify today. I am happy to answer your questions.

[The prepared statement of Mr. Ferguson follows:]
SUMMARY OF TESTIMONY OF TOM FERGUSON
PRESIDENT AND CHIEF EXECUTIVE OFFICER, AZZ INCORPORATED

- AZZ is a publicly traded industrial manufacturing company on the NYSE. AZZ was founded in 1956 and now has 3,700 employees operating in over 60 locations globally, with 55 of those facilities spread across 23 states in the United States.

- AZZ has benefitted significantly from the Tax Cuts and Jobs Act of 2017 that went into effect January 1, 2018.
  - Those benefits include expected growth of ~15% due to improved competitiveness versus global manufacturing companies, resulting in revenue of $900-960 million this year versus $810 million last year.
  - Over $10 million of cash savings due to lower taxes and the impact of the change in accelerated depreciation rules on capital equipment.

- AZZ has decided to re-invest a large portion of its tax benefits in our people and in new facilities, equipment and innovation.
  - AZZ distributed $1 million of special bonuses to high performing employees, over and above our normal short-term incentive program.
  - AZZ gave wage increases of $1 to $4 per hour to about 1,000 of our lowest paid employees, estimated to be a $3 million impact.
  - AZZ established a new reward and recognition program with $750,000 and pre-loaded approximately $250 of point value in each employee’s account.
  - AZZ is looking to pull forward the construction of a new continuous galvanized rebar plant, which is a $10 to 15 million investment and would result in hiring an additional 25-50 people.
My name is Tom Ferguson, and I am President and Chief Executive Officer of AZZ Incorporated. AZZ Inc. is based in Fort Worth, Texas, and has over 60 locations strategically located across four continents, including 52 in the United States. We support the power generation, transmission, distribution and industrial markets through protection of metal and electrical systems used to build and enhance the world’s infrastructure. AZZ is a publicly traded company and is listed on the NYSE as AZZ. As such, we are governed by the rules of the NYSE which prohibits me from making forward looking statements that would not be available to the general investing public. We operate on a fiscal year that ended in February 2018, which was our 31st consecutive year of profitability, part of which was due to tax reform.

AZZ and our fellow manufacturers fought hard for tax reform. It’s fair to say that most manufacturers were truly excited to see the Tax Cuts and Jobs Act pass Congress last December—almost six months ago to the day. It lowered rates for large and small businesses, included robust incentives for capital equipment purchases, retained the R&D tax credit and moved our country toward a territorial tax system. These are just the kinds of things we thought would help make the United States much more competitive overseas, give a significant lift to the American economy at home, and help manufacturers expand—not to mention empower their employees and communities from coast to coast. And, six months on from the passage of tax reform, that’s just what we’ve been seeing. In light of our optimism, AZZ has issued its revenue guidance for this fiscal year at $900-960 million, which would indicate growth of 15% year-over-year.
Tax reform has allowed AZZ to move more quickly on capital investment. We had a second continuous galvanized rebar plant planned for down the road, but because of tax reform we are now planning to move that forward into 2018. Continuous Galvanized Rebar is a new product that will allow bridges, highways, and other structures to last many years longer than they currently do. A new plant is a $10 million investment—over and above our normal $25 million in capital outlay. We are willing to take on more risk thanks to the incremental cash generated by tax reform.

Growing our facilities also means growing AZZ’s 3,700 member workforce. To staff the new facility, we plan to hire 25 to 50 new workers. We also anticipate adding over 150 new workers to our existing galvanizing facilities due to growth that is, at least in part, attributable to the impact of tax reform on our customers’ investments.

AZZ is also investing in our people: we are taking big steps to ensure that our employees share in the benefits of tax reform, too. We have already invested $1.75 million on financial rewards and special bonuses, over and above our normal short-term incentive programs. This included a new “Rewards and Recognitions Program,” where employees earn points they can redeem for merchandise through an online shopping portal. This also included a special bonus pool to give awards to employees who “went above and beyond” during the year or are continually strong performers. Also, just the past couple of months we have increased the hourly wages by $1-4 per hour for over 1000 of our lowest paid workers. This was after we had completed the normal annual merit increases, so we probably would not have considered this move without the benefit of the 21% income tax rate. Finally, AZZ is giving back to our employees and their communities in a unique way: by creating a charitable foundation, called AZZ Cares, that will help employees cover critical expenses in times of a crisis and allow us to expand our charitable giving to communities we operate in.
Tax reform is positive. It’s historic. It is, as President Trump put it last year, just the type of “rocket fuel” that manufacturers like AZZ need to help drive our company and our country forward. As a result, we are seeing positive benefits for the men and women who work at companies like AZZ, and the communities we each call home, and the economy we all share. That’s good news for everyone. That’s certainly good news for AZZ employees and our families.
Mr. UPTON. Well, thank you very much for your testimony. At this point we will move to Members to ask questions.

Just a couple things from my perspective. About a year ago I sat down with a—Western Michigan University has an outstanding small business forum, a seminar that meets regularly. And a year ago, many of those small business men and women talked about their biggest obstacles to expanding and really creating the growth that they wanted were two prime things. One was the cost of capital and the second being the regulatory burden that they had.

About a month or two, I spent some time with them again, and they were pretty excited. For Michigan, we have come out of the depths of despair. A few years ago we had unemployment rates in the double budgets, 12, 13 percent. We now have some counties in Michigan under 2 percent. And it is reflective, I think, of the national unemployment average, which is, I think, 3.8 percent.

Virtually every employer that I know is looking for talent. I stopped at a small business on Saturday morning for a toasted bagel with cream cheese and a coffee to go and there was a sign on the door looking for employees. And by the time you get to the cash register, there is yet another sign looking for employees.

I was at a 50th anniversary of a company in Holland, Michigan, on Monday. Their CEO told me that they could use probably 40 or 50 employees if they could find them.

Pfizer, which is my largest employer in southwest Michigan, told me a year ago that if we passed the tax bill they were going to reinvest in the United States. And in fact they came out with a wonderful announcement earlier this year, a $450 million new expansion, 93 employees they were going to average—no, 120 employees going to average $93,000 a year in salary.

A small business fellow that met, scrap metal, that I met with on Saturday last weekend said, “Fred, I kept my promise. We gave a bonus to every one of our employees.” I think they have 600 employees over a number of different States.

So it seems like it is working. And for us, too, in my district, we lost our largest employer in one of my counties about 6 or 7 years ago to Ireland because of the tax rate. Now, I hope that they can come home, but I know Ireland is trying to compete with that lower rate.

But I guess I would ask, my first question, Mr. Ferguson, you talked about what you did. Would you have done that had the tax bill not passed?

Mr. FERGUSON. We have had opportunities in past years to do it. But with the additional—because we had already gotten into our budget year, so normally we would not have done it. But because of the savings from taxes and the actual cash it generated, it absolutely made a huge difference.

Mr. UPTON. And, Mr. McCammon, what is your perspective? You know, had we not done so, had it failed, had we not moved forward, where would you be today?

Mr. MCCAMMON. Well, in our planning going into 2018 we were trying to decide whether to go ahead with a wage increase or not. We are under a lot of price pressure, and margins have been slipping for the past 3 years in a row. And just being able to turn a profit in that economy was pretty tough.
So we are trying to make a decision. And when that announce-
ment came out, that made it much easier to go forward with this.
So, yes, I think that is why we went forward.

Mr. UPTON. Ms. Wade, my district is filled with those little NFIB
membership plaques in the windows.

Have you done a survey as it relates to maybe ask the question,
“Had it not passed, where would you be?” You have got some pretty
goods statistics, 75 percent indicate that the current business cli-
mate is heading in a positive direction, 87 percent expect that the
tax reform would have a positive impact.

Have you asked the question, “What would you have done if the
tax bill had not passed?” knowing that the engine of our economy
really is small businesses and the ones that are certainly members
in your organization.

Ms. WADE. Sure. We did ask the question in this survey regard-
ing, of those business owners that anticipate lower tax liability,
what they plan on using the savings for. And it spans most general
business operations. So increasing compensation, hiring employees,
capital expenditures.

And a large portion of them is still undetermined what they will
do. That will come with talking to their tax professional over the
next year. But reinvesting in their business is certainly their big-
gest use of tax savings through the tax law.

Mr. UPTON. Thank you.
My time has expired.
Mr. Rush.

Mr. RUSH. I want to thank you, Mr. Chairman.

Mr. Hanlon, I want to be crystal clear from the outset. Who is
the Republican trickle-down tax bill designed to benefit mostly?
While my colleagues on the majority have been trying to sell this
boondoggle to the wealthiest as a bill that will help all Americans,
who are the real intended beneficiaries of this trickle-down tax bill,
and how was that structured into the provisions of the legislation?

Mr. Hanlon. So the largest tax cuts from the bill, both in abso-
lute dollar terms and also as a percentage of income, go to the
highest income Americans. So I had mentioned earlier that the top
1 percent, on average, and so these are people with average in-
comes of about $2 million, receive a tax cut that is 50 times larger
than people in the middle, and certainly much, much larger than
people in the low-income working class.

And then even as a percentage of income. So even as a percent-
age of their much higher income, millionaires get a much bigger
benefit, three times as much, as people in the middle.

So that is the bottom line overall. And of course a lot of that is
due to the fact that a large share of the bill—the bill is really cen-
tered around not just a reduction in the corporate tax rate, but an
absolute tax cut for corporations overall.

Corporations are owned mostly by wealthy Americans. The top
10 percent of Americans own 84 percent of corporate stock. And
fewer than half of Americans own any corporate stock, even in
their 401(k) plans.

So you have a massive corporate tax cut. You have a cut in the
top individual tax rate. You have a tax cut for pass-through busi-
nesses, 60 percent of which goes to the top 1 percent. And then you
have a cut in the estate tax that benefits the heirs to estates of more than $11 million, which is less than 1 out of every 500 people in the country.

So all told, this tax bill is badly skewed to wealthy Americans.

Mr. RUSH. How have the policy stockholders, people who own shares of stock, can you be explicit in terms of how do they benefit from the tax bill?

Mr. HANLON. So much of the tax bill, the corporate tax cut—so corporations are just going to be paying less taxes. As I mentioned, corporate tax revenue is $100 billion less. So in the near term we can expect that is going to be a pure windfall for the shareholders of corporations.

And they are paying it out. And we can see this manifest itself through the incredible surge in stock buybacks. So that is where corporations are paying out cash to their shareholders and it is at record levels at this point in the year. It is about almost half a trillion dollars have been announced, the stock buybacks, to shareholders.

And so that is money going out of corporations that is not being invested in equipment or R&D or workers. And some of it, of course, is going to the executives that own the stock as well.

So I think that is the primary way that the corporate tax cut is going through to wealthy shareholders instead of being invested.

Mr. RUSH. With the ballooning healthcare costs, skyrocketing prescription drug prices, rising gas prices, and other increases in the cost of living for working-class Americans, does the Republican tax bill provide real meaningful assistance to working-class families, such as the ones that are my neighbors and that I represent in my district on the South Side of Chicago?

Mr. HANLON. There are very modest tax cuts for middle class and little or no tax cuts for the working poor. To give an example, a minimum wage worker who is a single parent raising two children would get $75 from this tax cut, right? So that is $1.50 a week. And some will get more than that, but it is still a modest tax cut.

And I think it is also important to note that that tax cut is in the short run, and it gradually diminishes over time. And of course the things that are going to have to be put under pressure to pay for that tax cut could easily more than overwhelm any savings directly from the tax cut in the short term.

Mr. RUSH. Mr. Chairman, I yield back.

Mr. UPTON. The Chair would recognize Mr. Barton from Texas.

Mr. BARTON. Mr. Chairman, I have no questions. I yield my time.

Mr. UPTON. Mr. Olson from Texas.

Mr. OLSON. I thank the chairman.

And welcome to our four witnesses. A special Texas proud Aggie “welcome” to our Texan on the committee, Mr. Ferguson.

Sir, I hope I say this right: “Howdy” and “gig ‘em.”

Mr. FERGUSON. Gig ’em and howdy. That works.

Mr. OLSON. And speaking of proud Texas Aggies, I worked for a guy named Phil Gramm. A quick observation about these comments from the other side of the aisle, what Phil Gramm would say about these comments. And when I talk about Phil Gramm, I have
to imitate his Georgia/Texas accent, so bear with me. “If people ain’t saying bad things about you, you are doing something wrong.”

Based on the comments before from my colleagues on the Democrat side, we are doing something right. We are doing something right. Back home, these tax cuts have been a huge hit with every business I have talked to.

One example, not energy, but a guy who shines my cowboy boots every week, Houston Shoe Hospital. He is married to a lady from Mexico. They have two kids born in America. They were married at her home church in Mexico. Their dream was to go back to that exact church, have their kids baptized in that church where their relationship started.

They didn’t have the money to do that until we passed this tax cuts bill. Right now they have $2,000. He has bought those tickets. He is going down there this summer.

Another company back home, a company called FairfieldNodal run by Charles Davison. They do seismic work in the energy sector. They expect their tax bill to drop $40 million in 2019. Forty million dollars. Where does that money go? Hire new people. Invest in new technology. More jobs, more growth back home.

Let’s talk about the power sector. In Texas, our Public Utility Commission has already seen requests for rate reductions—rate reductions—from El Paso Electric, Oncor, and Southwest Electric Power, all because of tax reforms.

In my hometown, Houston area, CenterPoint says they are bending the curve lower on future rate increases they thought they needed because they will pass on $39 million to their customers—$39 million because of the tax cuts. We have heard comments that these tax cuts only help the wealthy and the rich.

Ms. Wade, first question for you. Is it fair to say that most small businesses, your members in NFIB, expect to see an improvement in their bottom line and that they will hire new employees, get new equipment, or upgrade old equipment? Is this good for American businesses?

Ms. Wade. Absolutely. NFIB members are overwhelmingly enthusiastic about the benefits of the tax law. In our 2016 survey, Federal taxes on business income ranks as the third most severe issue facing their business, with 29 percent of owners saying that it is critical.

So the new tax law has gone a long way to help benefit small business owners and dealing with their tax liability and all the time and paperwork related to it.

Mr. Olson. Thank you.

Mr. Ferguson, I reckon you want to make some comments about the tax bill.

Mr. Ferguson. We were really happy with it. I think the only thing we wished was it had been announced earlier, because we had already completed our budgets. And so I do think you are going to continue to see a ramp-up from corporations as they are able now to budget for this going into 2019.

We were fortunate. We are on a fiscal year, so we started March 1. So we actually had a couple of months to change our budgets and our plans, which we did. So we were thrilled with the act.
And our employees have benefited. My average employee makes about $46,000. I have got a lot of $10-an-hour people. Half my workforce is Latino. And everybody I talk to, they are family people, and they are thrilled with what it is doing for them personally as well as the fact we are able to increase our entry-level wages and now train a lot of new workers in the workforce.

Mr. Olson. Sir, back home, my district is the most diverse one in Texas. And so Hispanics, Asians, whatever, lowest unemployment rate in almost half a century.

One final comment about what is going on here.

Mr. McCammon, do you have any questions? Anything you would like to add before I yield my time back?

Mr. McCammon. I would just say that we, too, invested in equipment, actually in a roof and LED lighting project. This helped make our decision to go forward with that, although, as I had stated earlier, we are not going to reap full benefits of those types of projects right now.

Mr. Olson. One final comment, too, from our chairman, Kevin Brady: This is just a first start. We have to make this permanent ASAP.

I yield back.

Mr. Upton. The gentleman's time has expired.

Mr. McNerney.

Mr. McNerney. Well, I thank the chairman.

Mr. Chairman, this is clearly a political hearing. It is not a policy hearing at all. Its purpose is to convince Americans that the unpopular Republican tax bill that greatly reduces corporate taxes and reduces tax rates for the wealthiest people is a good deal.

A Morgan Stanley survey found that the market analysts estimate 70 percent of the tax cuts savings will go to shareholders while only 13 percent go to pay raises, bonuses, and employee benefits.

It also attacks the Affordable Care Act. The Congressional Budget Office estimates that 13 million Americans will lose coverage as a result. Moreover, it will raise premiums for the healthcare insurance for many, many more Americans.

Moreover, energy prices are going up, undeniably. So having a hearing in the Energy Subcommittee entitled “The Benefits of Tax Reform on the Energy Sector and Consumers” seems to me to be ill-placed.

So, Mr. Hanlon, how will the increased deficit caused by this tax scam harm middle-income Americans?

Mr. Hanlon. So, as I mentioned, the Congressional Budget Office projects that the deficit caused by the tax bill on top of existing deficits is $1.9 trillion over the next decade.

And that does not include the costs of making the temporary provisions permanent, which Mr. Olson just mentioned. That would add another $600 billion or $700 billion within the 10-year window, and the costs would just explode over time.

So these deficits, I think we have seen this before, promises that tax cuts will pay for themselves, and when that doesn’t bear out, the rising deficits are used as a reason and justification for cuts to, in particular, health programs. I think, first and foremost, Medi-
care, Medicaid, and education, and the large swath of domestic programs.

So I think, in answer to your question, I think average Americans understand that when Congress gives away a large tax cut, that the large preponderance is not going to them. They are going to pay for it in the long run through cuts to services and programs that matter to them.

Mr. McNerney. Will the tax bill help energy consumers?

Mr. Hanlon. No. I mean, in general, no. I mean, I do think the utility sector, there are some State laws that say that any kind of tax change needs to be passed on to consumers, but that is sort of the exception that proves the rule.

No other sector all the tax cuts that went to other corporations, none of them are going to be passed on to consumers. So I think there is really no reason to think that consumers are going to be directly affected one way or another.

Mr. McNerney. Will the tax bill cause increased healthcare premiums?

Mr. Hanlon. Yes. The Congressional Budget Office has said that healthcare premiums in the marketplace are going to be 10 percent higher in 2019, 10 percent higher than they would otherwise be. So that is on top of any other increase caused by any other rising healthcare cost in general or other acts of sabotage by the Trump administration.

And so that translates to $2,000 for a family of four with a benchmark plan on the exchange.

Mr. McNerney. Thank you.

You indicated there is a very small business investment compared to the stock buybacks. Could you expand on that a little bit?

Mr. Hanlon. So, I mean, I think to back up, to be clear, it is very early. We won't have a full accounting of what the bill has done. But I think it is very clear that corporations could use the tax cut in different ways. They could make investments in workers or R&D or capital investment—or they could just take the tax cut and distribute it to shareholders.

We are not seeing clear evidence of the former. We are seeing very clear evidence of the latter.

And so just to give you an example, of course, obviously, in a large economy, there is going to be anecdotal evidence, and not to knock that down, but, of course, companies are going to say they are making investments.

But then if you look at the country overall, according to the Federal Reserve, new orders of nondefense capital goods—so, in other words, new business investment—is totally flat, and it is below where it was from 2012 to 2014.

But maybe it will pick up. I hope it picks up. But we are not seeing it yet in the data. At the same time, we are seeing record levels of share buybacks, which is corporate cash being distributed to shareholders.

Mr. McNerney. Thank you.

Mr. Chairman, it took me longer to pass a post office being named in my district than it took to pass this tax bill, which affects every part of our economy.

So I will yield back and let you guys take a stab at this.
Mr. UPTON. Mr. Shimkus.

Mr. SHIMKUS. Thank you, Mr. Chairman.

I do appreciate you all being here.

Mr. Hanlon, real quick. So in response to Mr. McNerney, you did kind of admit that utilities are lowering rates, and some of those based on regulated communities. But I think the argument also is for competitive States. Competitive States, which I live in, are lowering their utility rates, too. So I appreciate that.

Second thing. You made a comment on education, which then I am going to go to my constituent. Like 93 percent of public education—primary, secondary—is funded through local and State governments. Would you agree to that?

Mr. HANLON. Yes. I think so, yes.

Mr. SHIMKUS. So the spin that this hurts education when we are 7 percent might be a reach.

And let me now go to my colleague.

Mr. HANLON. There is higher education, too. But, yes, I take your point. It is definitely mostly at the State and local level.

Mr. SHIMKUS. Let me go to Mr. McCammon. Let’s talk about Mattoon, Illinois. Do you know what the population of Mattoon is?

Mr. MCCAMMON. It is somewhere around 20,000 or less.

Mr. SHIMKUS. Yes. I looked it up, and it may have grown a little bit. I got 18,500.

Average salary of the people in Mattoon, what might you guess?

Mr. McCAMMON. I don’t have information on that. Sorry.

Mr. SHIMKUS. So I was working—good thing—with technology. It is about $35,000.

So sometimes here in Washington, we think everything is big city, L.A., Miami, New York City, and kind of we forget that smalltown rural America and how important small business is to the livelihood of those communities.

So in the State of Illinois, how are local governments funded, like the public school system, the county government, the municipality, the townships?

Mr. MCCAMMON. Through taxes.

Mr. SHIMKUS. Yes. Through what type of taxes?

Mr. MCCAMMON. Income.

Mr. SHIMKUS. Well, property taxes.

Mr. MCCAMMON. Real estate.

Mr. SHIMKUS. So it is real estate. So it is a value on your piece of property that you have. And if it is operating, that value, is it higher or lower? If you are producing something, there is people working there, is the value of that property higher or lower?

Mr. MCCAMMON. It is going to be higher.

Mr. SHIMKUS. It is going to be higher. So that is probably beneficial to who?

Mr. MCCAMMON. Everybody.

Mr. SHIMKUS. Yes, because the public schools are being funded, the local municipality, the county government. It is good for businesses to be able to operate. It is actually better for businesses to grow.

So I don’t want to lose that in this debate about the benefit of tax reform. If you are saying your business in Coles County, Mattoon, Illinois, is benefiting, that means the public school dis-
strict is benefiting; that means the city is going to have revenue to pay the police officers; that means the township road commissioner will be able to put another patch of asphalt on a township road.

Let me go into exactly some of your testimony. And I am actually happy to have you here, and I don’t even know all the stuff that goes on in my district. So how exactly is this flexible conduit used in nuclear plants, and why is Anamet's conduit the only one rated for its use?

Mr. McCAMMON. Well, the conduit that we have is tested to a loss-of-coolant accident as tested through radiation. So it is a very expensive test to go through to approve a covering for this. It is used in containment areas to protect electrical wiring so that if you do have a meltdown, you have got radiation coming out, it would protect the wires so that your fail-safes can continue to work.

And if you didn’t have anything else, I was going to add that we think that investing in technology is the answer to competing globally, not putting barriers out there, but trying to invest in technology. That improves the workers’ skills, because we do training for workers, and also increases their wage base.

And we are in the processes of doing that right now, and I can talk about that some more. I know I am running out of town here.

Mr. SHIMKUS. And I am running out of time also. I have one more question. But I thank you for you being here and I appreciate your testimony.

I yield back.

Mr. UPTON. Mr. Doyle.

Mr. DOYLE. Thank you, Mr. Chairman.

I am not sure why we are here today to discuss a bill that passed 6 months ago. We didn’t have any hearing 6 months ago. It might have been helpful to these two gentlemen that talked about a couple glitches in the bill that they would like to see corrected if we had this discussion before we passed the bill.

And I appreciate you two gentlemen being here, but this committee has no jurisdiction over tax policy. You are sitting in front of the wrong committee. You should go sit in front of the Ways and Means Committee if you want to plead your case on what is not in this bill.

So this is kind of an odd hearing for the Energy and Commerce Committee to be having. It might have been helpful before the bill was passed to talk about possible impacts on energy consumers if we did it 6 months ago, but, I mean, this is just—I mean, it is what it is.

We all know what this is. This is little dog and pony show for a bill that most of the American public doesn’t support. And so I guess you guys got your marching orders to start holding hearings and tout the benefits of this bill.

This is a deeply flawed bill. It fails families. It fails the middle class. It fails just about everyone except for businesses and the wealthiest people in this country.

The lack of transparency that took place before this bill was voted on has resulted in numerous glitches and loopholes, which people are now asking us to correct. CBO now projects that this bill will increase the debt by $1.9 billion, up from $1.5 billion.
And my friends on the other side of the aisle claim that the thing they most care about is debt, the national debt, and they have done more to raise the national debt in a year than anything Democrats have ever done.

Mr. Hanlon, let me ask you. Did the Center for American Progress, were you able to create some sort of a model of what the impact of this reform bill would have on workers in the middle class, as well as the energy industry, before the passage of the bill? Were you able to get any information that would allow you to model this before we voted on it?

Mr. Hanlon. I think no. In a lot of ways the bill was rushed in about 50 days, and a lot of the times, at various stages, Congress didn’t wait for even its own analysts to produce dynamic estimates of the macroeconomic effects and such.

We certainly didn’t. I mean, I think there was some analysis that was put together very well under very tight circumstances of the direct effects of the bill, so I think we generally knew who it was going to benefit. I think there are many unintended consequences that were not fully explored during the bill’s consideration.

Mr. Doyle. I notice you did finally put out a study that shows State by State. For instance, in my State of Pennsylvania the average tax cut to the bottom 80 percent of families—80 percent we are talking about—is around $645.

The average tax cut to the top 1 percent of Pennsylvanians is around $53,580. But then that is offset by a $2,300 increase in marketplace premiums and healthcare due to the repeal of the individual mandate.

And I just want to demystify that a little bit, because a lot of people when we talk about the individual mandate, they don’t understand why that is raising premiums. What we basically said now is you don’t have to buy health insurance if you don’t want to. There is no mandate that you have to do it.

So what that results in is a lot of young, healthy people saying: I don’t want to pay health insurance premiums, and I never get sick, and I don’t really need healthcare. So they don’t come into the risk pool, the young healthy people, that help us offset the cost of healthcare for people who are chronically sick and have major illnesses who have to buy insurance because of their health condition.

So what happens? The risk pool gets riskier and therefore the insurance companies say: Our risk has gone dramatically up now that we don’t have these young healthy people coming into the risk pool, we have to raise premiums as a result of that.

That is what the impact of getting rid of the individual mandate is. This ends up just wiping out any potential increase that the middle class or the working class in this country would get from this tax bill when they see these increases in their healthcare costs. That is why this bill was not being supported by the vast majority of Americans, because they know what is really happening here.

And with that, I see my time has expired, and I will yield back.

Mr. Upton. Mr. Latta.

Mr. Latta. Well, thank you, Mr. Chairman.

And thanks very much for our panel for being with us today.

And just a little background. I know the people on this committee have heard it before, but my district is kind of unique. I
have got 60,000 manufacturing jobs, and I have done scores of meetings across my district since the passage of this tax bill.

And I keep hearing from folks back home, especially when I am going into factories and businesses, that they are doing things. A, they are hiring people. They are increasing wages. They are giving bonuses. They are buying new equipment. And when you buy new equipment, it means you have to expand your factory, which means somebody out there has got to build it, and somebody out there has got to provide the building materials, and somebody has got to provide the transportation for it.

So this is something that just goes across the entire economy. So it is very, very good news for folks out there, not only in my district, but across the country because of the tax bill.

And, Mr. McCammon, if I could ask, I know, I was listening to the conversation between you and Mr. Shimkus, but I was wondering if you could kind of continue on about your discussion about wages and investments and what is going on with you.

Mr. McCAMMON. Sure. Like I said, we did a wage increase this year, and in our area there were quite a few wage increases or bonuses, a lot of talk among all the employees, even in competition for jobs. Even my daughter, Jessica, received a bonus working at Third Bank, and she is a part-time person. So there is a lot of talk about that going through the communities there.

We did not go with a bonus. We gave a wage increase, which is permanent and needed, and that is what we did.

As far as investments, we are planning for a big round of investments here. And I can talk about 2 years ago, we went into a new technology for one of our product lines. We were on negative margins and trying to compete against even overseas products. We went into this technology, brought it in, and we are able to compete with them. And now we haven't been able to keep product on the shelf. We had to bring on another person this year.

The economy has been growing in the industrial sector for us. The margins on those products are higher. That allows us to make more of a profit to be able to invest in things like this.

So to be able to compete, we need to invest in technology if we are going to compete with people overseas. We have got two other product lines that are bigger than that that we are looking at applying this technology to now. If we can do that, that is going to make us much more competitive, both domestically and foreign. And that is where we need to spend our investments, is into the technology.

And like I was saying, that benefits the employees also, because our wage base comes up. They need a higher knowledge base on some of this technology. We have increased the wage base for the operators running that line, and we would be doing the same thing for the other operators that we would bring in to run these lines.

Also, we have increased our wage base on our entry-level toolmakers. We just made a decision to do that in the last couple weeks. We have been discussing that and thinking about it for a couple years. And like I said, we have been under such high price pressure in this industry. Prices have been going down for 3 years steady and margins down with it.
We are at the point now where we think there is confidence in the economy right now, and we have decided to make that adjustment. And I see things like that continuing with this.

Mr. Latta. Thank you very much.

And, Mr. Ferguson, in my last minute, as we have heard today, one of the benefits of the recent tax reform is greater availability of capital to invest in the expansion of companies.

As you know, AZZ had planned to build a new manufacturing plant at some point in the future. How did the recent tax reform impact your company's ability to move forward on that project?

Mr. Ferguson. Because we were already past our budget cycle, if we wouldn't have had the incremental cash that was going to come from the tax cuts, we would not have been able to make that decision because it would have negatively affected our cash flow, and we were already into the budget, so we already would have been into the budget year.

So because of the timing and because of the cash savings, we were able to pull that forward. One, it helps create jobs; two, it is a great technology to extend the life of bridges and highways; and three, only about half of the cash impact comes in our current fiscal year, but that was something that was acceptable to us.

We were able to ensure that we expanded our capital. And we will fund the rest of it for next year. We will probably add another one of those plans because we are excited with what the tax cuts do for us from a cash flow perspective.

And then the other thing was we had to increase our training budgets because we just can't get access to qualified labor. And so we are having to do a lot more training up front. So we have a lot more entry-level folks coming into our workforce, which means we have got to train them just on basic mechanical skills and get them ready, which is why we raised our entry-level rates as well as for the folks that have been with us a fairly short time.

Mr. Latta. Thank you.

Mr. Chairman, my time has expired, and I yield back.

Ms. Castor. Thank you.

I want to start by saying I really appreciate Ranking Member Rush's comments at the outset of this hearing. The Energy and Commerce Committee has oversight of HHS, and I think the first priority of the Congress right now should be stopping the family separation policy.

I don't know why we are not having a hearing on that today to get answers from the administration on what is happening. I mean, it was reported by DHS that from May 5 to June 9, 2,342 children now have been separated from their parents. I mean, think about that, just in that short amount of time.

And this committee should be examining how many more since June 9 have been separated, what are the ages, what is happening, how are they being taken care of, and really doing everything we can to keep families together.

So thank you, Mr. Rush, for raising this.

I think it is incumbent upon every Member of Congress not to have these kind of retread type of hearings, but to really act on what is critical to the country at the moment.
That is not to say that family economics are not critical right now. When I look at what has happened during the Trump administration, I would say to American families: Hold on to your wallet, because we have seen gas prices go up, we have seen health premiums go up through the sabotage of the health administration, drug prices are going up.

It was not lost on people that, as the administration came out and said, “We are going to tackle the cost of high prescription drugs,” but there was no teeth to it. And then the value in the stock market, the value of the pharmaceutical companies went through the roof.

So this all hurts the family pocketbook. And my Republican colleagues promised during the tax bill debate that they would get a raise. Corporations would pass along savings, they would give raises. This is the fallacy of the trickle-down economic theory.

They said average workers will get $4,000 in their paychecks. Well, that hasn’t happened. Most of what has happened are stock buybacks. Good for the companies that have given raises and the ones that have given bonuses. But remember giving a bonus is not the same as giving folks a raise. And I think of a lot of hard-working families who they will use that bonus money, but, boy, why not give them a real salary increase?

Mr. Hanlon, it is interesting, because the Trump administration’s own Bureau of Labor Statistics has shown that the real average hourly earnings has actually dropped slightly.

Now, we have come out of the recession and unemployment over the past 10 years has gone down and down and down. But why haven’t earnings gone up? Why haven’t paychecks gone up?

Mr. HANLON. I think it is a really good question. The same question was asked of the Federal Reserve Chair the other week and he said it is a puzzle. So I don’t think anybody has a complete answer.

But it is absolutely correct that real wages have not increased, and that is distressing at a time when we have tight labor markets, unemployment is very low.

Ms. CASTOR. Wait a minute, they promised. They said that this tax bill, people are going to get thousands of dollars into their paycheck.

Mr. HANLON. And I think we haven’t seen any of that yet. We have seen zero real wage growth since the tax bill passed. And I think we don’t know the full reason why wages haven’t increased in such a tight labor market with such low unemployment, but I think a lot of actions by the Trump administration haven’t helped. They have taken us in the wrong direction.

Ms. CASTOR. You bet they have. I mean, gas prices are up. Healthcare premiums are up, because in the tax law part of it was eliminating requirements for people to have insurance. So CBO says that 13 million Americans will lose coverage. And for the rest of us our premiums are going to go up.

And then last week the administration announced that they are not even going to stick with the promise of the preexisting condition protection that keeps insurance affordable for many, for millions and millions of Americans.
And then part of that tax bill—this really makes me angry, anyone who has kids or grandkids—$2 trillion added to the debt. And then the Republican budget comes out yesterday, and what do they do? Huge cuts to people that rely on Medicaid for healthcare and to Medicare.

So this is kind of a boondoggle. I think people are really seeing through the fallacy of, boy, this is going to help the average American. Everything they have done, whether it is inaction on drug prices, inaction on holding down the cost of fuel, of healthcare and wages, it is just not adding up for consumers, and I think that is the bottom line.

Mr. HANLON. Yes. And I would add rolling back overtime protections for workers to that list.

Mr. CASTOR. Absolutely.

Mr. HANLON. And the failure to raise the minimum wage at the Federal level.

Ms. CASTOR. Thank you very much.

Mr. UPTON. The gentlelady's time has expired.

We will do Mr. Harper. Votes have been called on the House floor. We have got three votes. We will do Mr. Harper, and then we will recess and we will come back.

Mr. HARPER. Thank you, Mr. Chairman.

Thanks to each of you for being here.

Mr. Hanlon, did you get a tax cut?

Mr. HANLON. I think I probably will, but I don’t know. I haven’t done the math yet.

Mr. HARPER. You haven’t looked at your pay stub to see if they are withholding less?

Mr. HANLON. I haven’t done the math. I am pretty sure that withholding would increase, but that doesn’t mean that I got a tax cut because some people will have their withholding decreased but then have to pay it back at the end of the year.

But I don’t know. I think I will probably get a tax cut. I didn’t want one or ask for one, but I think I probably will.

Mr. HARPER. Well, you are not going to turn the money back into the Treasury, are you?

Mr. HANLON. I haven’t decided. I don’t know.

Mr. HARPER. Well, feel free to. That is certainly fine.

You know, it is amazing as I listen to this and talking about how it is hurting families and there is no money, I am thinking of over 200,000 AT&T employees, for instance, that got $1,000 each. When you are talking about middle America and you are talking about middle class, I mean, I just don’t see how you can say that.

And I look at in my home State of Mississippi hundreds of companies, covering hundreds of thousands of employees, are making more, have more money in their pocket, real money to spend. And I understand that 69 percent of all statistics are made up on the spot, or is it—no, 57—yes, 57 percent.

So this is, I mean, it is like you have been in a car wreck and you are talking to two witnesses that were in the same wreck and they have completely different narratives.

I mean, I think it is clear when you talk to some of the employees that have gotten extra money it is real money. It helps those
families. And to say that it doesn’t and it is hurting America, I just
don’t see how you can say that.

And, Mr. Ferguson, you have talked about your company. And
certainly we have one of your facilities, one of your companies, one
in my congressional district, which we are very fond of, in Rich-
land, Mississippi, and you have another down on the coast in Moss
Point. So we appreciate the impact that you have had there.

Talk to me for just a minute about what that means, specifically
for employees in my State, of what that meant for them with the
tax cuts.

Mr. FERGUSON. Yes, with several of our workers in both of the
galvanizing plants, we actually have three plants now in your—
well, two in your district, one on the coast.

But we have been hiring, so we have added, I think, 12 people,
which it is a workforce of about 180, I think. And we have also in-
creased the wages there. They got bonuses. And they were some of
the participants. They all got the $250 contribution to the rewards
and recognition program that we preloaded their accounts. So every
one of them got that.

And I would say that everybody there probably the average raise
was about $3, but a lot of those lower wage workers, entry level,
at $10. And I think that is why overall for us our average wages
would look like they are down slightly, but they are actually up be-
cause we added so many entry-level workers into our workforce.

Mr. HARPER. And, Mr. Ferguson, those are the employees that
got the hourly wage increase from anywhere from $1 to $4 an hour
increase?

Mr. FERGUSON. That is correct. That is 60 percent of the folks
in those factories were direct labor that got those raises.

Mr. HARPER. And did you have anybody complain about those
raises?

Mr. FERGUSON. No. I got a lot of nice notes. I tend to commu-
nicate a lot with my employees and they know I have an open
email. So I even got some nice signed letters. As a matter of fact,
one of them was from Moss Point.

Mr. HARPER. That is great. And did anybody refuse to accept the
raise?

Mr. FERGUSON. No, except myself.

Mr. HARPER. OK. Well, and hats off to you, Mr. Ferguson, for
that.

Now, you have indicated in your testimony that you are antici-
pating adding over 150 new workers to your existing facilities.

Would you have done that or be doing that without this Tax Cuts
and Jobs Act of 2017?

Mr. FERGUSON. No, because that is related to—the first point is,
for the first time in probably three decades, we are actually now
competitive with our global competitors, which tend to be much
larger than us, particularly on the business in your district, Me-
dium Voltage Bus. So we are now competitive, so we are much
more confident, so we are growing.

Mr. HARPER. Explain for just a moment, Mr. Ferguson, how this
makes you more competitive nationally and particularly globally.

How does it do that?
Mr. FERGUSON. Well, a lot of our European competitors, because of their tax rates, they have been able to invest more aggressively in advanced machinery. So now we are doing that. We are upgrading our technology in plants like in Richland, as well as in most of our electrical systems plants.

Two, we are able to do a lot more training because we have got the cash savings. So we quickly invested that into more training. So we have doubled the training time and periods for our average worker.

And both of those things made us far more—well, and it gave us confidence for the future, which is why we have also increased our investments. And assuming the tax reform act holds, I think you will see a lot more investment by U.S. companies.

Mr. HARPER. Thanks to each of you for being here.

My time has expired, Mr. Chairman.

Mr. UPTON. I remind my colleagues we are going to come back after we take a short recess. There are 6 minutes left on the votes on the House floor.

[Recess.]

Mr. GRIFFITH [presiding]. We will resume the hearing. I appreciate you all’s patience while we went off to vote.

We have Mr. Green of Texas up next, recognized for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman.

And I think it is interesting, our Committee on Energy and Commerce, we always brag about our jurisdiction. I just didn’t know we could take it away from the Ways and Means Committee. I am glad we are having it on the tax bill, because I would love to have more issues.

But anyway, the truth of the matter is the American energy renaissance has been unleashed long before this bill was ever considered. Coming from a Texas district, advances in technology, American ingenuity, even the policies of the Obama administration and this committee in the last decade have unleashed this energy dominance.

If you are going to talk about the GOP tax scam, I would like to talk about what it did to the Affordable Care Act and how premiums, which is part of our jurisdiction, already increasing next year with the repeal of individual mandate.

The bill also exploded our deficit for $1.9 billion over the next decade and actually cut the number of years Medicare will be solvent, whether it be Medicare, Medicaid, or even Social Security. And how many times have I heard over the years my colleagues on the Republican side cutting benefits that seniors have earned under the guise of deficit reduction.

Mr. Hanlon, can you explain how the tax law undermines Americans’ access to healthcare? What will this bill do to the terms of the number of Americans who have health insurance?

Mr. HANLON. The Congressional Budget Office has said that over time, by repealing the provision that encourages healthier people to purchase health insurance for themselves, 9 million fewer people will have health insurance.

Mr. GREEN. What can we expect to see happen in healthcare premiums as a result of this law?
Mr. HANLON. So, again, CBO has estimated that premiums will be 10 percent higher for 2019 than they would otherwise be, which translates into about $2,000 for a family of four for an average benchmark premium.

That is, of course, just an estimate or a projection, but we are already seeing insurance companies apply for their rate schedules, do the submissions for the rate schedules for 2019, and we are already seeing increases in various States that are attributed directly to the repeal of the individual mandate in the tax bill.

Mr. GREEN. Does this put more stress on Medicare and Medicaid as a result?

Mr. HANLON. Yes, absolutely. I mean, I think adding $1.9 trillion of debt, in addition to whatever the cost would be, we mentioned it earlier, of making the temporary provisions permanent. That $1.9 trillion does not take into account extending the provisions that a lot of the sponsors of the bill have said that they want to extend.

Mr. GREEN. I come from Houston, Texas. It is an energy district. I have folks who work at refineries, work at service companies. And over the last couple of years they have been doing very well, long before this bill.

My concern is, will my constituents see a noticeable increase in their take-home pay enough to offset these rising premiums and pressure on the Federal programs that provide support?

Mr. HANLON. I think that is very unclear, especially over the long run. I mean, I think most families will see a modest tax cut in the short run. But those tax cuts are only temporary. They are offset by any increase in gas prices, obviously, any increase in healthcare premiums that are caused by the bill. And then over time those tax cuts gradually diminish and then expire after 2025.

Mr. GREEN. Mr. Chairman, like I said earlier, our committee has a lot of substantial issues that we need to address instead of just being part of a political messaging term on something we have no jurisdiction.

If months of messaging hasn’t changed the approval numbers for the GOP tax scam, I don’t think this hearing will move that.

So anyway, I yield back the balance of my time.

Mr. GRIFFITH. I thank the gentleman. I now recognize the gentleman from Michigan, Mr. Walberg, for 5 minutes.

Mr. WALBERG. Thank you, Mr. Chairman.

And thanks to the panel for being here, especially, I say with all sincerity, three who understand reality, living in the real world, and experiencing really what has taken place. And thank you. I mean, it is worthwhile hearing what actually is happening and people who understand what produces true American progress.

Mr. Hanlon, I hope someday you will, as well.

Mr. HANLON. I appreciate that.

Mr. WALBERG. Thank you. We always try to help.

Mr. Chairman, it has been nearly 6 months since we passed the Tax Cuts and Jobs Act—only 6 months, only 6 months—and we have seen the economy produce amazing things. It reminds us that the American way does work.
Since then, we have heard countless stories of businesses increasing wages, handing out bonuses, hiring more employees, and expanding their U.S. Operations.

The chairman of the subcommittee made that very clear about what we are experiencing in Michigan, the first one out and now the first one back in in growth and opportunity.

Being from Michigan, I am encouraged about the benefits for our workers and prospects for our State’s manufacturing sector. Whether it is building some of the best cars in the world or casting some of the strongest steel, these manufacturing processes are energy intensive, and electricity costs are often leading cost of operation.

Luckily for Michigan and its businesses and its manufacturers and its citizens, the tax cuts are leading to lower energy costs. Numerous Michigan utilities announced plans to lower electric rates and have undertaken that already. This will allow Michigan businesses to invest in their facilities, but more importantly, invest in their employees.

And so, Mr. McCammon, thank you for being here for manufacturing companies across the country. The savings from the recent tax reform has allowed increased investment in manufacturing equipment as well.

For Anamet Electrical, are you planning to utilize money saved from tax reform to purchase new manufacturing equipment?

Mr. McCammon. Yes. As I was talking earlier with the technology investments that we made a couple years ago, we are in the planning stages right now to increase our investments for 2019 much more than we normally do.

Section 179 has a lot to do with that, and the accelerated depreciation that we can get. But in doing that, when we are looking at adding to two more lines like that, we would be adding probably about another 4 percent to the labor force.

Mr. Walberg. So not only investing in the equipment, the capital outlay.

Mr. McCammon. Yes.

Mr. Walberg. That is going to produce investments in more employees.

Mr. McCammon. Yes, sir.

Mr. Walberg. If we can find them, which is a challenge right now, as we have talked about. That is great to hear.

Any other benefits to the company, including their employees, as a result of this tax benefit going toward increasing capital outlay?

Mr. McCammon. Well, just seeing the economy pick up for us. I am not looking at the grand scale of things like Mr. Hanlon is here, but just in what we see, the industrial sector has picked up tremendously. That boosts our margins and provides that cash flow for us to invest.

So I think the confidence that is being built by having the tax cuts and being able to support industry in investing in technology is what is going to really boost the economy and let us grow at a faster rate than we would if you didn’t have the tax reform.

Mr. Walberg. Thank you. I wish you well.
Based on your research, prior to the Tax Cuts and Jobs Act of 2017 could small business owners have made these investments in their businesses’ employees as well as debt obligations?

Ms. WADE. In our monthly survey, we have seen before the law that taxes and regulatory issues were some of their largest challenges in operating their business with the time responsibility in complying with taxes and regulations, but also the cost burden. They are certainly feeling some relief from both sides of those areas.

And then with that they are able to support more growth, expansion, and capital spending in their businesses and reinvest increased earnings and profits.

Mr. WALBERG. That helps communities as well, doesn’t it?

Ms. WADE. Absolutely.

Mr. WALBERG. Mr. Chairman, I yield back.

Mr. GRIFFITH. I thank the gentleman for yielding back and now recognize the gentleman from Maryland, Mr. Sarbanes, for 5 minutes.

Mr. SARBANES. Thank you, Mr. Chairman.

Thank you all for being here.

It is sort of hard to believe that our Republican colleagues want to come and celebrate this tax bill when you look at the fact that the great majority of the benefits of it have flowed to the very wealthy in this country, to corporate America. It is the sort of the height of chutzpah, as far as I can tell.

I am particularly concerned about the backroom politics around this thing. The Republican donor community basically let it be known that this had to be brought across the finish line or they were going to hold up their donations.

Politico talked about how a Texas-based donor fundraiser refused to give money to Washington Republicans until the gridlock broke in Congress. Pleased with the tax reform efforts, he said he has since called off the strike. Within days of the tax bill passing the Senate, several other GOP donors started cutting checks to the Republican committees after having not made large donations to Federal candidates all year.

Paul Ryan cut a “thank you” video that he sent out to the Republican donors. In 13 days after the House passed its version of the tax bill, Charles Koch and his wife, Elizabeth, combined to donate nearly half a million dollars to Speaker Ryan’s joint fundraising committee.

In my view, that is called “payment on delivery.” The tax bill was hashed. The money started to flow because it does benefit people at the very top of the income and wealth range here in America.

But we are here talking about a tax bill that gives power to the powerful when we really should be talking in every committee and every Member should be talking about this tragedy that is unfolding at our southern border.

And the fact of the matter is our President, if he wants to be a big man, he needs to do something about that. You don’t create a legacy, Mr. President, by giving power to people who already have power. You do it by lifting up people that are suffering, by lifting up people that are downtrodden.
You are the big man. You fancy yourself that. You have the power. I don’t know how many times I have seen the President hold up an executive order like this. He has the authority. He could solve this problem in 5 seconds, the time it takes to sign an executive order, but he won’t do it.

And I just see this imagery of Donald Trump, 6’2”, 6’3”, standing there with a small child in front of him looking up at him and pleading and saying: Don’t separate me from my mother, don’t separate me from my father.

He has the power to fix this, and our Republican colleagues should be standing up and making that declaration. They should push back. They should show some spine. They should show compassion. They need to look into their hearts. They need to tell the President that this is an offense to humanity. And they need to tutor him on how Government works, that he has this power, that he can make a difference, that he can stop this.

We are having a hearing about a tax bill that empowered corporate CEOs and Wall Street executives and gave more power to people in this country who don’t need power. They don’t need a President for that. They have plenty of power already and influence, as they demonstrated by instructing the Republican caucus to go pass this tax bill.

What a President is for, what you need the power of the Presidency for is to look out for people who are suffering.

So I implore my colleagues as Americans—not Republicans, Democrats—as Americans we need to stand up and say to the President of the United States: Not in a week, not in a day, not in an hour, but in the next 10 minutes you could fix this with one executive order, with indicating that the policy is going to change. Do that for the small child that is standing in front of you, Mr. President.

I yield back.

Mr. GRIFFITH. I thank the gentleman for yielding back.

I now recognize the gentleman from New York, Mr. Tonko, for 5 minutes.

Mr. TONKO. Thank you, Mr. Chair.

Mr. Chair, it has been said already, but this hearing is outside our jurisdiction. What we can and should be doing, in terms of oversight, is focus on the children being forcibly separated from their families and placed into the custody of the Department of Health and Human Services’ Office of Refugee Resettlement.

The President’s family separation policy and the related pain of separation anxiety just caused in our children are inhumane outcomes. It is immoral, and it doesn’t speak to our values as Americans. We need answers, we need accountability, we need action from this President.

Mr. President, children are crying for your help.

Instead of wasting time on other issues that this committee should be doing, we should be focusing on that HHS need.

So, by now we have heard this all before, but it needs to be said again to the tax policy. The Republican tax bill provides massive giveaways to the wealthy, and ultimately it will be middle-class families that pay for it—more pain inflicted.
We are already seeing the consequences through rising healthcare costs. In my home State of New York, insurers are requesting an average premium increase of 24 percent for 2019 due largely to provisions in this Republican tax cut bill.

And the bill blows a massive hole in the budget. CBO has confirmed that it will increase deficits by nearly $2 trillion in the next decade. That is about $12,000 per worker.

Americans should be worried that this new budget outlook is going to give more fuel to Republicans who want to reduce benefits or privatize America’s most essential social safety net programs, like Social Security and Medicare.

But instead of tax cuts that disproportionately benefit the wealthy, I want to turn our attention to investments that would help the public at large, including America’s businesses.

Mr. Hanlon, do American businesses need good roads?

Mr. HANLON. Yes.

Mr. TONKO. I would cite the Society of Civil Engineers giving us a grade of D.

What about reliable water systems?

Mr. HANLON. Yes, absolutely.

Mr. TONKO. Another D given on the report card for drinking water and a D-plus for wastewater.

Would it make the United States more competitive if more businesses had access to broadband?

Mr. HANLON. Yes, it would.

Mr. TONKO. Many U.S. businesses buy, sell, or operate facilities abroad. Do we need modern ports and airports for our businesses to succeed?

Mr. HANLON. We do.

Mr. TONKO. I would say we do. We have a grade of D for aviation and C-plus for ports.

Mr. Hanlon, it is no secret that America’s public infrastructure is in bad shape, and I believe it needs serious Federal investments. Do you agree that infrastructure investments are critical to long-term sustainable economic growth?

Mr. HANLON. Yes. And I think the tax bill was a missed opportunity to make those investments.

Mr. TONKO. Right. If we are going to invest in that kind of money, it should have been for that urgent need that would have put people to work building this Nation’s infrastructure. But for years we have heard some Members say we cannot afford to make these investments.

And since the passage of the Republican tax bill with the realities of our new fiscal outlook and the $2 trillion increase in deficits that are going to affect every one of your workers and businesses, we will hear even more frequently that deficits are far too hard to make major investments.

Don’t think this is true? Look no further than the President’s so-called trillion-dollar infrastructure plan, which is predicated on budget gimmicks and pushing costs overwhelmingly onto State and local governments. The irony is that the tax bill will make it more difficult for local governments to invest in infrastructure.

I am very concerned about the consequences from changes to the State and local tax deduction, SALT, which now limits the amount
of property taxes that can be deducted against Federal income taxes and will really hurt my home State of New York and other areas with high property tax bills.

Mr. Hanlon, how might the SALT changes make it more difficult for local governments to raise revenues to fund infrastructure investments?

Mr. HANLON. So the SALT deduction, which previously had no cap on it, was capped at $10,000 per not just individual, but per couple, with that not adjusted for inflation. So that cap is going to become increasingly binding over time, which means that it is going to make State and local tax payments essentially cost more for families.

And that is going to make it harder, we don't know how much harder, but it is going to make it harder, all else being equal, for State and local governments to raise the revenue they need for education, roads, and everything, all the other kinds of services.

Mr. TONKO. All while infrastructure remains one of the biggest concerns of business. You need good infrastructure to make things happen, to ship your product, to conduct business.

In the short term, shareholders will enjoy the stock buybacks. But these businesses' investors need to understand that the long-term success of your company and our economy will be built by modernizing and sustaining our public infrastructure.

It just says the tax bill will lead to a tax on Social Security and Medicare. It will also ensure much-needed Federal infrastructure investments are not made while making it harder for local governments to fill the gaps.

With that, Mr. Chair, I yield back.

Mr. GRIFFITH. I thank the gentleman for yielding back.

And I now recognize myself for 5 minutes.

Let's talk about SALT for a minute. Let me tell you what SALT did in this country. It took districts like mine in southwest Virginia where the people are struggling to make ends meet, who are trying to hold on to their house, and it made them pay money, additional money, to support folks in rich areas of the country—in all fairness, like Mr. Tonko's district. And he is a good man. He is looking out for his constituents. I am looking out for mine.

Mr. TONKO. Yield for a question, please, Mr. Chair?

Mr. GRIFFITH. I will gladly yield.

Mr. TONKO. Do you know the average income in my district?

Mr. GRIFFITH. I don't know the average income, but I know that if you are having to worry about SALT, if you are in my district, that is a million-dollar house in most of my 29 jurisdictions, a million-dollar house.

If you can afford a million-dollar house, you can probably afford to pay your own taxes instead of asking my coal miners—I take back my time—instead of asking my coal miners to pay the taxes for those folks who have million-dollar houses.

I mean, that is what I am facing in my district. You don't have to worry about it if you don't own at least a million-dollar house.

All right. That being said, and while I am on a vent, a lot of comments have been made about CBO today and looking at CBO scoring of this and that. I would just remind everybody that when this committee authorized the sale of spectrum, CBO said it would be
zero. We got $40 billion. They were way off on the last farm bill. They were way off on Obamacare.

And last year, when I put in a shot-across-bow amendment under the rules that said that we were going eliminate $15 million, and there are 89 employees who do their analysis, they came back—and I gave them a second chance to get it right—they came back and said it would have zero impact on the budget. Eliminating their analysis would have zero impact on the budget.

So if they don't think they are worth anything, I don't know why I should.

All right, let's get back to what this hearing is actually about.

Tax reform, tax cuts, it has started to show benefits in my district in southwest Virginia. And while Mr. Green's jurisdiction had oil and they were doing very well, my coal and natural gas folks weren't doing quite as well, because our natural gas is not on the surface. It is down deep. It is in the methane, in the coal beds.

And we have seen some revival there. We have seen significant revival nationally. I was recently visiting the West River Conveyors and Machinery factory. It is a small factory in southwest Virginia in a little place called Oakwood. And what was telling was not only are they expanding, they are working more, and they make equipment for mining all across the country.

But one of their biggest problems that they were facing right now is that the economy is going so good they are having a hard time finding truckers to take that heavy machinery that Mr. Hanlon doesn't believe we are investing in, our companies are investing in, they are having a hard time finding the truckers to take the machinery that they have built for facilities all across the country from point A, from Oakwood, Virginia, to wherever it needs to go on point B, because everybody else is competing for a limited number of truckers. That tells me the economy is percolating and things are good.

And then you get down to the employees. Not only does that mean that they are expanding and building a new building on their tract of land, not only does that mean jobs, but then you have EnerVest, an oil and natural gas company with about 95 employees in southwest Virginia, First Sentinel Bank of Richlands, First Bank and Trust of Abingdon, the K-VA-T food stores, that would be Food City for everybody watching at home, Charter Communications, McDonald's, Kroger, et cetera, who are all doing things. And then last but not least, we got this little facility in Bristol, Virginia.

Mr. Ferguson, would you like to talk about that little facility and how it has helped those folks?

Mr. FERGUSON. That little facility is growing, expanding. We have been able to improve its asset base. We have invested in it. I think we added 12 jobs just in the last month. And we have got “help wanted” signs all over the place. So we have had to increase our wages to be able to recruit.

And we look for that facility to do really well this year, and we are going to be investing more in it.

Mr. GRIFFITH. And those 12 folks who were working at your facility in Bristol, Virginia, they don't think that this tax cuts and jobs bill was just crumbs for them, do they? They are able to feed their families now, aren't they?
Mr. FERGUSON. Well, and actually the 60 folks that were already at that site all got nice bonuses and nice raises. And they still have their $250 rewards and recognition that they can buy some TVs and whatever they want to buy with it.

The 12 people that were added came in at the entry level, and we are training them to be mechanics so that they will be able to move up and hopefully become supervisors and plant managers.

Mr. GRIFFITH. Well, we appreciate that. And we appreciate the hard work that they do. And we appreciate the work that you are doing to continue to have jobs in southwest Virginia.

It is an extremely important in an area that has been economically hit hard by the previous administration and by policies that have not looked out for folks in more rural, in areas that have a coal-based economy, because while they don't mine any coal in Washington County at this point in time, there are an awful lot of businesses that have connections to the coal industry and other industries in the area, and we do appreciate it.

And with that, I yield back.

Seeing that there are no additional folks here who wish to ask questions, I would like to thank all of our witnesses again for being here today and for taking the time while we went off to vote to stay around.

Before we conclude, I would like to ask for unanimous consent to submit the following documents for the record. That is a joint letter from the National Hydropower Association, the American Biogas Council, the Biomass Power Association, and the Energy Recovery Council.

[The information appears at the conclusion of the hearing.]

Mr. GRIFFITH. Pursuant to committee rules, I remind Members that they have 10 business days to submit additional questions for the record, and I ask that the witnesses submit their responses within 10 business days in receipt of the questions.

Any objection to that, Mr. Rush?

Mr. RUSH. No objections.

Mr. GRIFFITH. No objection being heard, that is approved, and this hearing is concluded.

Thank you all very much.

[Whereupon, at 12:36 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]
June 18, 2018

The National Hydropower Association ("NHA"), the American Biogas Council ("ABC"), the Biomass Power Association ("BPA"), and the Energy Recovery Council ("ERC") provide this statement for the record regarding the June 20 hearing titled, "The Benefits of Tax Reform on the Energy Sector and Consumers."

While the Tax Cuts and Jobs Act of 2017, signed into law on December 22, 2017, has improved the environment for both businesses and consumers in the electric sector, the extension of the tax credits for renewable baseload power resources (hydropower, biomass, biogas and waste-to-energy), a critical tax policy for the advancement of our industries, remains unfinished.

Currently, the production and investment tax credits (PTC and ITC) for our industries have lapsed, while the credits for other renewable resources, such as wind and solar – industries with which we directly compete – have long-term extensions. This disparity puts development of our resources at a severe competitive disadvantage in the market for new renewable electricity generation, particularly in the eyes of investors who seek clarity and certainty.

Every day that passes without an extension further increases the uncertainty and harmful economic impact for project developers and sends a negative economic market signal to the investment community. Certainty in tax policy is needed to accommodate the longer development lead times for projects in our sectors that have highly capital-intensive projects for which the tax credits are an important tool for attracting tax equity capital investment.

If not addressed, there will certainly be less deployment of reliable, affordable, renewable baseload power in our sectors, along with the jobs, economic opportunities and other ancillary benefits that accompany our projects. We do not believe this is the intent or desire of Congress and clearly not in line with an all-of-the-above energy strategy.

Our associations are willing to work with you and the Ways and Means Committee to identify opportunities to advance legislation to address this inequity. Specifically, we have endorsed H.R.
4137, the Renewable Electricity Tax Equalization Act (sponsored by Rep. Elise Stefanik), which would create tax parity among all renewable power sources.

We thank you for this opportunity to address these tax and energy inequities. If you or your staff have any questions, please feel free to reach out to any of our associations.

Sincerely,

Linda Church Ciocci, CEO
National Hydropower Association

Robert E. Cleaves, IV, President and CEO
Biomass Power Association

Patrick Serfass, Executive Director
American Biogas Council

Ted Michaels, President
Energy Recovery Council
Ms. Holly Wade  
Director, Research and Policy Analysis  
National Federation of Independent Business  
1201 F Street, Suite 200  
Washington, DC 20004

Dear Ms. Wade:

Thank you for appearing before the Subcommittee on Energy on June 20, 2018, to testify at the hearing entitled “The Benefits of Tax Reform on the Energy Sector and Consumers.”

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. To facilitate the printing of the hearing record, please respond to these questions with a transmittal letter by the close of business on Friday, August 3, 2018. Your responses should be mailed to Kelly Collins, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, DC 20515 and e-mailed in Word format to Kelly.Collins@mail.house.gov.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

Fred Upton  
Chairman  
Subcommittee on Energy

cc: The Honorable Bobby L. Rush, Ranking Member, Subcommittee on Energy

Attachment
Subcommittee on Energy
“The Benefits of Tax Reform on the Energy Sector and Consumers”
June 20, 2018

Question: Would your organization support efforts to address the inequities hydropower faces in light of the new tax reform?

Dear Rep. McKinley,

Thank you for your question on the investment tax credit for hydropower facilities.

NFIB represents 300,000 small business owners across the country and across all industries. NFIB determines its positions through a member ballot process, which offers every member of NFIB the opportunity to weigh in on current federal and state legislative efforts that affect small businesses. The ballot process allows NFIB to allocate appropriate advocacy efforts and resources.

As NFIB members represent various industries, advocacy tends to focus on tax reform efforts that more broadly impact small businesses. Often specific tax credits are too industry specific for NFIB to take a position. To date, NFIB has not balloted the membership on this issue and therefore has not established a position.

Thank you for the opportunity to present at your hearing.