

Tax code hurts American businesses

I'm proud to manufacture in America. It's too bad the tax code rewards my competitors for taking their jobs, investment and profits overseas.

For the past 30 years, my family has been in the business of producing high-quality industrial air compressors. Our group provides good jobs to 260 employees working in four plants in Michigan and Indiana. Our products are sold globally and we compete against some of the world's largest corporations.

We're not afraid to compete, but we need a level playing field. The current tax structure gives a substantial tax advantage to multinational corporations that blend U.S. and foreign operations together. But the tax structure is unfair to companies like ours that have only U.S. operations. This tax inequity is also bad for the public, our economy and the middle class.

For instance, when I started in this business, there were dozens of companies in our industry just like us: family-owned midmarket manufacturers. In addition to providing manufacturing jobs, these companies employed people in engineering, customer support, purchasing, marketing, administration and general management.

Our industry also purchased materials such as castings, tanks, controls and all sorts of specialty metal parts that usually came from local suppliers. These suppliers in turn provided many similar good jobs.

Unfortunately, most of these companies are now gone. While a few of them closed, many were bought out by multinational corporations. Tax inequities were partly to blame for this transition. As these companies were absorbed, many of the good jobs also left the U.S. and local suppliers also lost important business.

Our competitors have shipped many of their jobs

overseas. One has even reincorporated itself in an offshore tax haven in order to reduce its U.S. tax bill. Other American corporations do their moving mostly on paper, disguising U.S. profits as "foreign" profits by using accounting gimmicks and shell companies. While it's bad enough that they get the advantage of cheap foreign labor, it's hard to understand why our tax code would encourage this activity.

As a family-owned enterprise, our business profits are reported as income on our individual tax returns. Yet according to a recent report by Congress' Government Accountability Office, the average large corporation paid an effective federal tax rate of just 12.6 percent. That's less than middle-income taxpayers pay, much less than the rate of typical small-business owners.

Midmarket manufacturers are important to our society. They historically have been a source of innovation that often doesn't come from larger, more bureaucratic organizations. With many small companies in existence people also have more freedom to work where they choose. We want to stay in America and we think the first job of corporate tax reform is to close the loopholes and level the playing field for domestic and multinational companies. Corporate taxes, like individual income taxes, need to support the public services and infrastructure upon which we all depend.

With a fairer tax system in which all companies — large and small — pay their fair share, we can get back to competing the old-fashioned way. The winners will be those who deliver superior products and customer service, not those that have figured out how to game the tax system for their competitive advantage.

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