

FACT SHEET: President Obama's Blueprint to Support U.S. Manufacturing Jobs, Discourage Outsourcing, and Encourage Insourcing

In his State of the Union address, President Obama laid out a [Blueprint for an America Built to Last](#), encouraging companies to create manufacturing jobs in the United States while removing deductions for shipping jobs overseas and encouraging insourcing. During the past two years, we have begun to see positive signs in American manufacturing – with the manufacturing sector adding more than 300,000 jobs since December 2009, with companies engaging in the emerging trend of “insourcing” by bringing jobs back and making additional investments in the United States. Manufacturing jobs are growing for the first time since the late 1990s.

The proposals the President is describing today are designed to build on this progress. They include six proposals that Congress should act on immediately to encourage job growth in the United States and that are fully paid for by closing tax loopholes that encourage the shifting of jobs and shielding of profits overseas. The President is also calling for Congress to extend current temporary tax incentives this year to bring more certainty to the near-term economy and for fundamental tax reform that would encourage more investment in America with a new international minimum tax, a lower rate for American manufacturing, and a simpler, broader tax code.

The President is proposing the following revenue-neutral reform package to support manufacturing, discourage outsourcing, and encourage insourcing that Congress should act on immediately:

1. Removing tax deductions for shipping jobs overseas and providing new incentives for bringing them back home (revenue neutral):

The tax code currently allows companies moving operations overseas to deduct their moving expenses – and reduce their taxes in the United States as a result. The President is proposing to change that. These deductions will be denied, and companies will no longer be provided deductions for moving their operations abroad. At the same time, the President is proposing to give a 20 percent income tax credit for the expenses of moving operations back into the United States to help companies bring jobs home.

- For example: If a company was closing a plant to move that plant overseas and incurred \$1 million in expenses – ranging from the cost of scrapping equipment to shipping physical capital to clean up costs – it could right now deduct those expenses, and get a tax reduction of \$350,000 (assuming the firm faces the 35 percent statutory tax rate). The President proposes to eliminate this tax deduction. And, if a corporation moving jobs to the U.S. incurred similar expenses, the President proposes to provide that company with a tax credit of \$200,000 to help offset these costs and encourage investment here at home.

2. Targeting the domestic production incentive on manufacturers who create jobs here at home and doubling the deduction for advanced manufacturing (revenue neutral): In

conjunction with the President's broader commitment to corporate tax reform, the Administration is proposing measures to provide incentives for manufacturing in the United States. The Administration is proposing to reform the current deduction for domestic production by more narrowly focusing it on manufacturing activities—for example, it would no longer cover oil production. These savings would be invested in expanding the deduction for manufacturers and *doubling* for advanced manufacturing technologies from its current level of 9 percent to 18 percent.

3. **Introducing a new Manufacturing Communities Tax Credit to encourage investments in communities affected by job loss (\$6 billion in credits):** The President is proposing a new credit for qualified investments that help finance projects in communities that have suffered a major job loss event. This credit will provide \$2 billion per year in incentives for three years. For this purpose, a major job loss event occurs when a military base closes or a major employer closes or substantially reduces a facility or operating unit, resulting in permanent mass layoffs. The tax credit would support qualified investments in this affected community – made in conjunction with State Economic Development Agencies and other local entities – that improve local economic growth.
4. **Providing temporary tax credits to drive nearly \$20 billion in domestic clean energy manufacturing (\$5 billion in credits):** The President is proposing to extend tax credits to drive nearly \$20 billion of investment in domestic clean energy manufacturing, ensuring new windmills and solar panels will incorporate parts that are produced and assembled by American workers. This Advanced Energy Manufacturing Tax Credit – which was oversubscribed more than three times over – goes to investments in clean energy manufacturing in the United States. The additional \$5 billion in tax credits the President is proposing will leverage nearly \$20 billion in total investment in the United States.
5. **Reauthorizing 100% expensing of investment in plants and equipment (\$4 billion):** The President is proposing to extend for all of 2012 a provision that allows businesses to expense the full cost of their investments in equipment, spurring investment in the United States. Over the next two years, this would provide businesses large and small with \$50 billion in tax relief, with much of that recovered by the Treasury in subsequent years.
6. **Closing a loophole that allows companies to shift profits overseas (raises \$23 billion):** Corporations right now can abuse the tax system by inappropriately shifting profits overseas from intangible property created in the United States. The President is proposing to close this loophole.

At the same time as the President is calling for immediate enactment of this plan, he is also pushing forward on a framework for corporate tax reform that would encourage even greater investment in the United States, while eliminating tax advantages for outsourcing. This framework will include:

- **Making companies pay a minimum tax for profits and jobs overseas and investing the savings in cutting taxes here at home, especially for manufacturing:** The President is

proposing to eliminate tax incentives to ship jobs offshore by ensuring that all American companies pay a minimum tax on their overseas profits, preventing other countries from attracting American business through unusually low tax rates. The savings would be invested in cutting taxes here at home, especially for manufacturing.

- **Making permanent an expanded Research and Experimentation Tax Credit:** The President has proposed to make permanent the Research and Experimentation Tax Credit, while enhancing and simplifying the credit. About 70 percent of the benefit directly supports jobs in the United States, and every dollar spent encourages U.S.-based investment, as only research and experimentation performed in the United States is eligible.
- **Simplify the tax code and close loopholes:** Over the nearly three decades since the last comprehensive reform effort, the tax system has been loaded up with special deductions, credits, and other tax expenditures that help well-connected special interests, but do little for our Nation's economic growth. The President's framework will close these loopholes and simplify the tax code so businesses can focus on investing and creating jobs rather than filling out tax forms.

Building on Progress

- **Providing tax incentives to help businesses grow and invest:** Building off earlier measures, the President signed into law a provision that allowed businesses, both large and small, to immediately write off 100% of the costs of new investment in equipment in the United States. This is among the 17 tax cuts the President has signed into law for small businesses, including measures that temporarily eliminated capital gains taxes on key small business investments and raised expensing limits for small firms.
- **Providing tax incentives to support domestic investment in clean energy technology manufacturing:** The Recovery Act's Advanced Energy Manufacturing Tax Credit provided \$2.3 billion in incentives that catalyzed an additional \$5.4 billion in private sector investment in projects to manufacture the next generation of solar, wind, geothermal, vehicle, energy efficiency, and other clean energy technologies.
- **Temporary tax cuts to increase investment and jobs:** The President has signed into law \$200 billion in tax relief and incentives for America's businesses to encourage them to make new investments and create new jobs – relief that was paid out over the last three years. This includes provisions that directly benefit those businesses that did the most to boost investment and hiring.
- **Cracking down on overseas tax avoidance and loopholes:** The President has taken strong steps to crack down on overseas tax evasion and loopholes – measures that will save billions of dollars over the next decade and make sure that everyone plays by the same rules. This

includes signing into law the Foreign Account Tax Compliance Act, which targets tax evasion by U.S. citizens holding investments in foreign accounts, as well as measures to crack down on abuse of foreign tax credits through games that allowed multinational companies to inappropriately reduce the amount of taxes they paid here at home.