Equipment Q&A: Capital Equipment Tax Incentives

Mike D. Farrell, President and CEO, Sentry Equipment Corp.

Chem.Info speaks with industry experts to hear their perspectives on critical issues within the processing marketplace. In this issue, we ask:

How do you think the tax cuts for capital equipment and lending measures featured in the Small Business Jobs Act of 2010 will affect the processing industry?

“Most of the hydrocarbon and chemical processing industries are not small businesses, and if this act only applies to small businesses, it may even require the balancing of lost tax revenues with higher tax rates for these processing industries. That said, the Small Business Jobs Act of 2010 should be viewed as beneficial overall, just not for our customers who already are burdened with increasing regulatory issues.”

John Morrison, Manager of Business Development, Hamilton Sunstrand, www.hamiltonsundstrand.com [1].

“This single piece of legislation includes numerous provisions that will build on the momentum we created at the International Manufacturing Technology Show (IMTS) to spur manufacturers across the country to make the investments necessary to improve their competitiveness. Two more years of increased expensing, together with another year of bonus depreciation, is a major victory for companies who were inspired by what they saw at IMTS.

“It’s been a difficult two years. The Association for Manufacturing Technology members, as well as the broader manufacturing community, are skeptical about the future, especially given proposals in Washington to increase taxes and add costly regulations on their businesses. Access to credit is still a problem, and the global market heavily favors our foreign competitors.

“It’s no wonder companies have been slow to invest in their businesses. This new law has the potential to help small manufacturers gather some steam heading into next year, because 2011 may prove to be another tough year.

“The temporary tax incentives included in this law will help release the pent-up demand for new products and the export promotion support will enable more companies to explore new markets. Manufacturing technology suppliers are hopeful that the law’s lending initiatives will help loosen the credit logjam still gripping most of the industry.

“High taxes and over-regulation are killing innovation in manufacturing. The United States now lags behind our foreign counterparts in industries we once dominated. This new small business law provides temporary relief and assistance at a time when they’re desperately needed, but our elected leaders need to come together on a long-term plan that puts manufacturing at the top of our national agenda if we are to regain our competitive edge.”

Douglas K. Woods, President, Association for Manufacturing Technology, www.amtonline.org [2].

“From what I have seen, it appears this act will have little effect on capital investment or job creation. The cuts are simply not big enough, nor does [the legislation] provide enough certainty for businesses to base a decision.”

Mike D. Farrell, President and CEO, Sentry Equipment Corp., www.sentry-equip.com [3].

“We applaud several of the bill’s provisions, including the revival of expired bonus depreciation that allows companies to write off half the cost of new equipment placed in service in 2010, excluding from taxation capital gains from certain small business stock, and increasing opportunities to access credit and government loans.

“[However,] it’s difficult to see how this legislation is called a jobs bill when it ignores a significant per-employee cost hurting small businesses, which is the disproportionate regulatory burden they face every year.

“It is surprising, too, because Congress and the administration have reiterated the need to help manufacturers, yet nowhere in the President’s manufacturing revitalization strategy is there a plan to address the substantial cost of regulations burdening manufacturing. In fact, there isn’t even an acknowledgement that regulations do, in fact, bear on the cost of manufacturing in the U.S.”

Lawrence D. Sloan, President and CEO, The Society of Chemical Manufacturers and Affiliates, www.socma.com [4].

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