

AN ALERT FROM THE BDO MANUFACTURING & DISTRIBUTION PRACTICE

BDO KNOWS: MANUFACTURING

PREPARING FOR NOVEMBER 8: WHAT MANUFACTURERS NEED TO KNOW

With the 2016 General Election around the corner, it's a fitting time to take a close look at the issues that will define the manufacturing industry's long-term health and economic growth.

As employers of more than 12 million Americans, manufacturers are uniquely positioned to advocate for policies and initiatives that will spur economic development—and fuel the industry's comeback. We're not here to tell you who to vote for, but we do believe manufacturers' voices need to be heard in this election.

The National Association of Manufacturers (NAM) created a helpful [infographic](#) summarizing the key policy issues on the industry's radar:

- ▶ Supporting our workforce and job creation
- ▶ Modernizing our infrastructure
- ▶ Detangling regulations
- ▶ Tax reform
- ▶ Educating and training the next generation of manufacturers
- ▶ Developing energy resources
- ▶ Global trade

The candidates for the two major political parties have different views on how to invigorate the economy and position American manufacturers for global success. In the below table, we've laid out an un-editorialized comparison of the candidates' public proposals against the key issues.

No matter who wins in November, change is on the horizon—but it isn't going to be immediate. During the election cycle—and particularly during presidential election cycles—it is all too easy to get caught up in policy proposals and campaign rhetoric. But the fact is policy change is a complex and slow-moving process requiring compromise on the part of both the President and Congress, meaning whatever a candidate proposes now is unlikely to look much like what might eventually be signed into law.

And don't underestimate the importance of state and local elections. Many of the most important economic development initiatives come at the state level, as do the majority of manufacturers' tax liabilities. Moreover, state and local governments tend to move tax changes along at a much faster clip than their federal counterparts. These changes, such as the "right-to-work" amendments proposed on ballots in five different states, could stand to have a major, and relatively immediate, impact on your business.

As we look toward November 8, there's one clear takeaway: At 12 million people strong, the manufacturing vote counts. But while all eyes are on the election, manufacturers are in a position to advocate for the industry every day, and not just when the polls are open.



HOW DO I GET MORE INFORMATION?

For more information on BDO USA's service offerings to the manufacturing industry, please contact one of the following practice leaders:

RICK SCHREIBER

Partner, National Manufacturing & Distribution Practice Leader
rschreiber@bdo.com
901-680-7607

LARRY BARGER

Pittsburgh
412-434-8203
lbarger@bdo.com

MATT BECKER

Grand Rapids
616-802-3413
mkbecker@bdo.com

CATHY ROZANSKI MCNAMARA

Detroit
248-244-6524
crozanski@bdo.com

ON THE ISSUES

**Based on the candidates' most recent positions*



On supporting our workforce and jobs creation

ISSUE	HILLARY CLINTON	DONALD TRUMP
Wages	<ul style="list-style-type: none"> Raise the federal minimum wage to \$12/hr Strengthen overtime rules 	<ul style="list-style-type: none"> In favor of raising the minimum wage but would leave it to the states
Keep Manufacturing Jobs in America	<ul style="list-style-type: none"> Claw back tax breaks for companies that outsource jobs overseas Establish \$10 billion "Make it in America Partnerships" program to incentivize domestic manufacturing and reshoring Coordinate government efforts within the U.S. and overseas to recruit and ease the path for companies to bring back jobs to the U.S. \$1,500 tax credit for every apprentice hired through a bona-fide apprenticeship program 	<ul style="list-style-type: none"> Eliminate corporate abuse of the H1-B visa program; institute a requirement to hire American workers first for every visa and immigration program Impose 35%-45% tariff for imports from countries like China and Mexico, including American companies that produce products outside the U.S.
Paid Leave	<ul style="list-style-type: none"> Guarantee up to 12 weeks of paid family and medical leave 	<ul style="list-style-type: none"> Guarantee 6 weeks of paid maternity leave Increase the cap for employer-provided day care tax credit from \$150,000 to \$500,000; reduce recapture period from 10 years to 5
Unions	<ul style="list-style-type: none"> Restore collective bargaining rights for unions and defend workers' rights 	<ul style="list-style-type: none"> No public proposal; 2016 GOP platform endorses right-to-work laws



On modernizing our infrastructure

ISSUE	HILLARY CLINTON	DONALD TRUMP
Infrastructure Spending	<ul style="list-style-type: none"> \$275 billion in direct spending over five years \$225 billion in loans and loan-guarantee programs 	<ul style="list-style-type: none"> Up to \$1 trillion in spending
Infrastructure Priorities	<ul style="list-style-type: none"> Improve the safety and security of existing infrastructure, especially drinking and wastewater systems Align new infrastructure with the clean energy economy 	<ul style="list-style-type: none"> Build the next generation of roads, bridges, railways, tunnels, seaports and airports
Technology & Innovation	<ul style="list-style-type: none"> Increase access to capital for small businesses and start-ups Connect public spaces to high-speed internet so they can offer free WiFi to the public Increase funding for the development of 5G wireless systems Support net neutrality Increase federal budget for national research entities, commercialization capacity building and accelerator grants 	<ul style="list-style-type: none"> No specific proposals



On corporate tax reform

ISSUE	HILLARY CLINTON	DONALD TRUMP
Lower the Corporate Tax Rate	<ul style="list-style-type: none"> No change proposed 	<ul style="list-style-type: none"> Reduce the corporate income tax rate to 15% Eliminate the corporate alternative minimum tax
Provide Tax Relief to Small Businesses and U.S. Manufacturers	<ul style="list-style-type: none"> Create a standard deduction for small businesses Quadruple startup tax incentive Expand healthcare tax credit to smaller businesses with up to 50 employees Extend and make permanent the New Markets Tax Credit Double the State Small Business Credit Initiative Introduce "Manufacturing Renaissance Tax Credit" for hard-hit manufacturing communities 	<ul style="list-style-type: none"> Eliminate most corporate expenditures, including the domestic production activities deduction (Section 199), but keep the federal R&D tax credit Cap the deductibility of business interest expenses U.S. manufacturers may elect full expensing of plant and equipment and lose the deductibility of corporate interest expense
Repatriation of Foreign Earnings	<ul style="list-style-type: none"> Introduce an "exit tax" 50% merger threshold for corporate inversions; bar inversions between a U.S. company and a smaller foreign entity Restrict earnings stripping 	<ul style="list-style-type: none"> End deferrals; one-time deemed repatriation of corporate income earned abroad at discounted 10% rate



On educating and training the next generation

ISSUE	HILLARY CLINTON	DONALD TRUMP
Investing in Education	<ul style="list-style-type: none"> Invest in STEM training and education, including a competitive grant program and \$10 billion in federal funding Defer student loans for young entrepreneurs Support Obama administration's "Computer Sciences for All" initiative \$25 billion fund to support colleges that serve minority students 	<ul style="list-style-type: none"> Provide school choice to disadvantaged students Add an additional federal investment of \$20 billion towards school choice Work with Congress on reforms to ensure universities are making a good-faith effort to reduce the cost of college and student debt in exchange for federal tax breaks and tax dollars



On developing global energy resources

ISSUE	HILLARY CLINTON	DONALD TRUMP
The Renewable Fuel Standard	<ul style="list-style-type: none"> In favor 	<ul style="list-style-type: none"> In favor
Clean Energy/ Energy Production	<ul style="list-style-type: none"> Establish continent-wide methane emissions reduction targets Harmonize vehicle efficiency, emissions and fuel standards Increase public investment in clean energy R&D Cut oil and gas tax subsidies 	<ul style="list-style-type: none"> Cut the Environmental Protection Agency Revive the Keystone XL Pipeline project Lift moratoriums on energy production in federal area, coal leasing and open shale energy deposits Revoke restrictions on new drilling technologies
Climate Change	<ul style="list-style-type: none"> Defend and extend existing pollution and efficiency standards Establish an Environmental and Climate Justice Task Force 	<ul style="list-style-type: none"> Encourage the use of natural gas and other American energy resources that will reduce emissions as well as the price of energy Rescind Climate Action Plan and Waters of the U.S. rule Cancel the Paris Climate Agreement; stop all payments of U.S. tax dollars to U.N. global warming programs



On global trade

ISSUE	HILLARY CLINTON	DONALD TRUMP
Trans-Pacific Partnership (TPP)	<ul style="list-style-type: none"> • Opposes the TPP as it currently stands, but would consider supporting the deal if certain provisions are revised 	<ul style="list-style-type: none"> • Withdraw from the TPP
NAFTA	<ul style="list-style-type: none"> • Renegotiate NAFTA to address parts that "did not work as well as hoped for" and review all trade agreements with the same scrutiny 	<ul style="list-style-type: none"> • Renegotiate the terms of NAFTA; withdraw from the deal if partners do not agree to a renegotiation
Curb Trade Abuse	<ul style="list-style-type: none"> • Appoint a chief trade prosecutor to protect Americans from unfair trade policies 	<ul style="list-style-type: none"> • Identify every violation of trade agreements a foreign country is currently using to harm U.S. workers, then direct all appropriate agencies to use every tool under American and international law to end those abuses • Use every lawful presidential power to remedy trade disputes with China if illegal activities continue, including levying tariffs

Sources:

Hillary Clinton 2016 Official Website

Donald J. Trump for President Official Website

New York Times, "Hillary Clinton Unveils \$275 Billion Infrastructure Investment Plan." 30 Nov. 2015

Washington Post, "The first Trump-Clinton presidential debate transcript, annotated." 26 Sept. 2016

Politico, "Full Transcript of Third 2016 Presidential Debate." Oct. 2016

BDO MANUFACTURING & DISTRIBUTION PRACTICE

BDO's Manufacturing & Distribution practice consists of multi-disciplined professionals, well versed in compliance and consulting matters. Our professionals have many years of experience in financial reporting and accounting, tax and auditing issues and are continually updating their knowledge and, therefore, are dedicated to giving timely and accurate advice.

ABOUT BDO

BDO has been a valued business advisor to manufacturing and distribution companies for more than 100 years. We work with a variety of companies from all industrial sectors, ranging from global manufacturing and distributors to startup and niche manufacturing corporations, on a myriad of accounting, consulting, tax and other financial issues.

BDO's national tax professionals possess an in-depth knowledge of the intricacies of a full spectrum of tax services. From International Tax and Transfer Pricing to State and Local Tax services and beyond, our dedicated team of professionals operate nationwide to provide a comprehensive suite of services to address our client's needs.

BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, advisory and consulting services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through more than 60 offices and over 500 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multi-national clients through a global network of 1,408 offices in 154 countries.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms. For more information please visit: www.bdo.com.

Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your firm's individual needs.