



*Jay Timmons*

*Executive Vice President*

May 21, 2008

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The Honorable Neil Abercrombie  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Abercrombie:

On behalf of the National Association of Manufacturers (NAM)—the nation's largest industrial trade association—we appreciate the efforts of the House of Representatives to advance the Energy and Tax Extenders Act of 2008 (H.R. 6049), which extends a number of pro-growth, pro-competitiveness tax provisions that have expired or are set to expire at the end of 2008.

In particular, the NAM supports the following provisions in the bill:

- A seamless extension of the R&D credit;
- An extension of deferral of U.S. tax on active business global financing income;
- An extension of the look-through rules for payments between related foreign corporations; and
- Extensions of tax incentives for energy efficiency and renewable energy.

### **R&D Credit**

A seamless extension of the R&D credit is a top priority for the NAM. Manufacturers claim more than 70 percent of the R&D credit and R&D fuels innovation that translates into new products and increased productivity. Moreover, the credit creates jobs. Only R&D performed in the United States qualifies for the credit, and 70 percent of credit dollars are used for salaries of employees engaged in R&D. Unfortunately, the temporary credit expired for the 13th time on December 31, 2007. The seamless extension of the credit through 2008 will help ensure that innovation and quality R&D jobs will stay—and grow—in the United States.

### **Global Active Business Financing Income**

NAM also supports the one-year extension of the provision that taxes active financial services income earned abroad by foreign subsidiaries of U.S. companies when the financing income is brought back to the United States. While this provision—also known as an exemption from subpart F for active financing income—typically is associated with financial service firms, it also is important to U.S. manufacturers with finance and credit affiliates that provide financing for overseas buyers. The ability to provide competitive financing for customers has a direct and

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positive impact on U.S. exports and manufacturing jobs. Conversely, without an exemption from subpart F, these financing arms, unlike their foreign counterparts, would be subject to simultaneous foreign and U.S. taxes on their overseas earnings.

### **The "Look-Through" Rules**

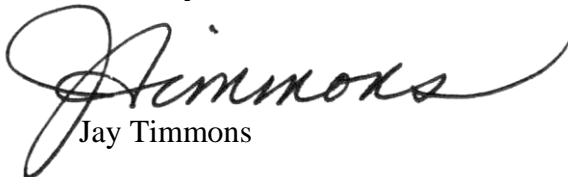
Similarly, we support the one-year extension of current law that allows "look-through" treatment for payments of dividends, interest, rents and royalties between related controlled foreign corporations. Without this provision, which is set to expire at the end of 2008, American companies would be subject to immediate U.S. taxation when they redeploy foreign earnings from active business operations in foreign markets. Foreign businesses competing in the same markets pay no such tax to their home countries. If these rules expire, American companies would be at a competitive disadvantage in serving foreign customers and consumers.

### **Renewable Energy and Energy Efficiency**

U.S. manufacturers, large and small, have a substantial interest in affordable domestic energy supplies and improved energy efficiency. By promoting energy efficiency and the development of renewable and alternative energy sources, tax policy can help secure our nation's energy security. The NAM supports energy efficiency and renewable energy incentives, including the production tax credits and the energy efficiency incentives set to expire at the end of 2008.

NAM members feel strongly that pro-growth tax law changes, like those described above, will go a long way to shore up business confidence and promote economic growth and job creation. We look forward to working with you to send an extenders bill to the White House that the President will sign into law.

Sincerely,



Jay Timmons