Flexible Packaging Priorities in the 119th Congress

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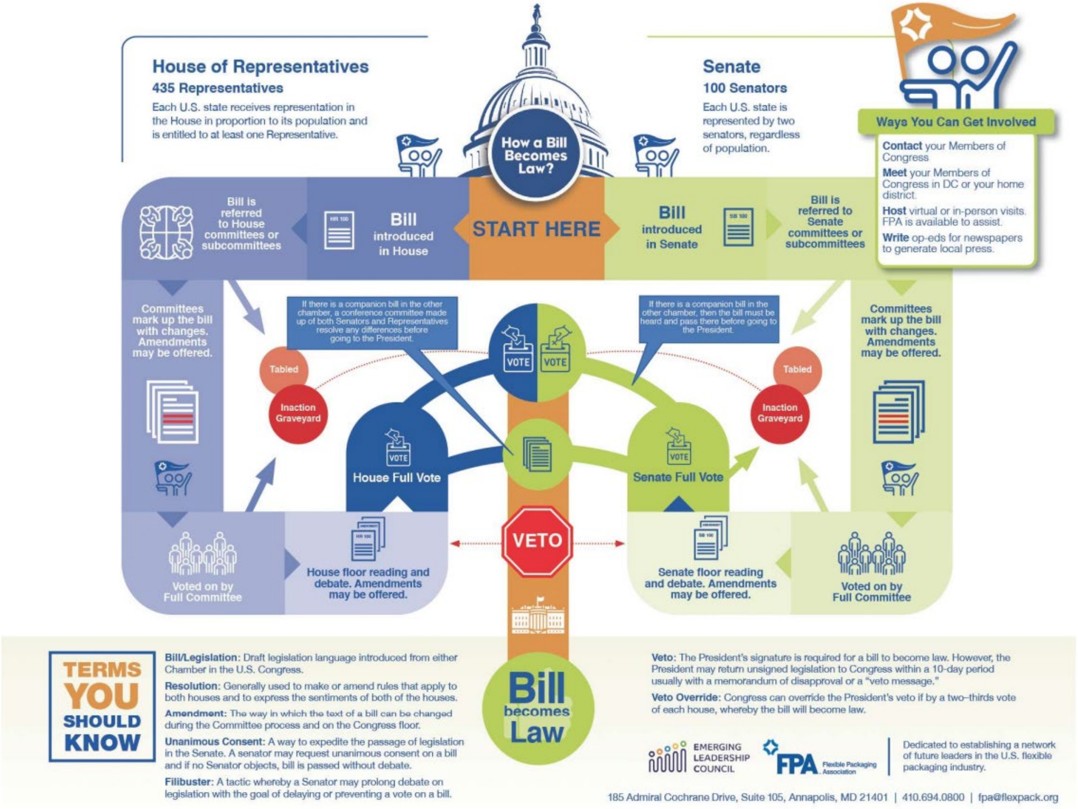
Agenda

1. Flexible Packaging Association Legislative Priorities
2. Additional Opportunities in 119th Congress
3. A Note On State Activity

Flexible Packaging Association Legislative Priorities

- Extended Producer Responsibility
- Labeling
- Recycling/Advanced Recycling
- “Toxics” Legislation



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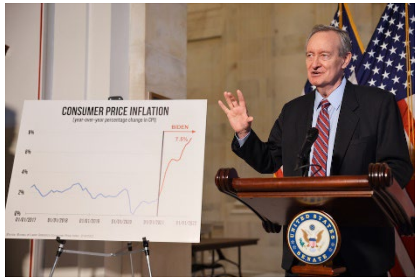
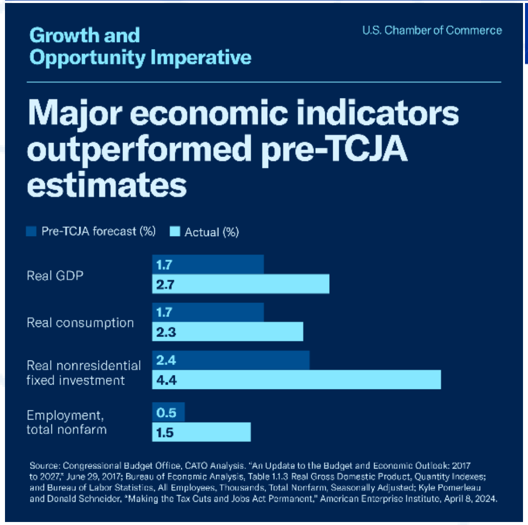
Additional Opportunities in the 119th Congress

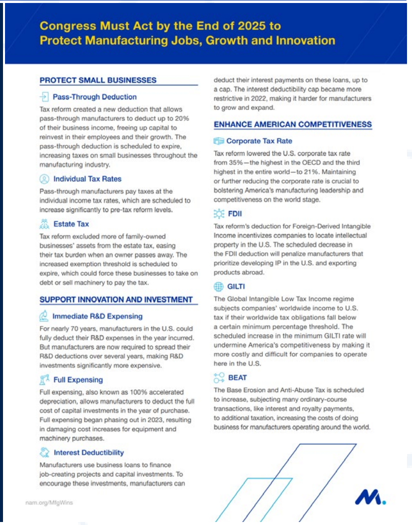
Republican Congressional Agenda:

- Immigration
- Taxes
- Debt Ceiling Increase
- Energy



Tax Opportunities in the 119th Congress





Congress Must Act by the End of 2025 to Protect Manufacturing Jobs, Growth and Innovation

PROTECT SMALL BUSINESSES

Pass-Through Deduction

Tax reform created a new deduction that allows pass-through manufacturers to deduct up to 20% of their business income, freeing up capital to reinvest in their employees and their growth. The pass-through deduction is scheduled to expire, increasing taxes on small businesses throughout the manufacturing industry.

Individual Tax Rates

Pass-through manufacturers pay taxes at the individual income tax rates, which are scheduled to increase significantly to pre-tax reform levels.

Estate Tax

Tax reform excluded more of family-owned businesses' assets from the estate tax, easing their tax burden when an owner passes away. The increased exemption threshold is scheduled to expire, which could force these businesses to take on debt or sell machinery to pay the tax.

SUPPORT INNOVATION AND INVESTMENT

Immediate R&D Expensing

For nearly 70 years, manufacturers in the U.S. could fully deduct their R&D expenses in the year incurred. But manufacturers are now required to spread their R&D deductions over several years, making R&D investments significantly more expensive.

Full Expensing

Full expensing, also known as 100% accelerated depreciation, allows manufacturers to deduct the full cost of capital investments in the year of purchase. Full expensing began phasing out in 2023, resulting in damaging cost increases for equipment and machinery purchases.

Interest Deductibility

Manufacturers use business loans to finance job-creating projects and capital investments. To encourage these investments, manufacturers can deduct their interest payments on these loans, up to a cap. The interest deductibility cap became more restrictive in 2022, making it harder for manufacturers to grow and expand.

ENHANCE AMERICAN COMPETITIVENESS

Corporate Tax Rate

Tax reform lowered the U.S. corporate tax rate from 35%—the highest in the OECD and the third highest in the entire world—to 21%. Maintaining or further reducing the corporate rate is crucial to bolstering America's manufacturing leadership and competitiveness on the world stage.

FDII

Tax reform's deduction for Foreign-Derived Intangible Income incentivizes companies to locate intellectual property in the U.S. The scheduled decrease in the FDII deduction will penalize manufacturers that prioritize developing IP in the U.S. and exporting products abroad.

GILTI

The Global Intangible Low Tax Income regime subjects companies' worldwide income to U.S. tax if their worldwide tax obligations fall below a certain minimum percentage threshold. The scheduled increase in the minimum GILTI rate will undermine America's competitiveness by making it more costly and difficult for companies to operate here in the U.S.

BEAT

The Base Erosion and Anti-Abuse Tax is scheduled to increase, subjecting many ordinary-course transactions, like interest and royalty payments, to additional taxation, increasing the costs of doing business for manufacturers operating around the world.

nam.org/MfgWins

Broad Coalitions (NAM/Chamber)

- Pass Through Deduction
- R&D Expense Deduction Fix
- Full Expensing
- Interest Deductibility
- More…

Flexible Tax Opportunities (TRP Policy Accelerator)

- PCR Tax Incentives

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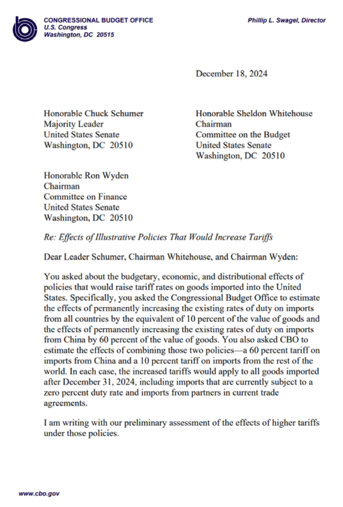
Additional Opportunities in the 119th Congress

Congressional Oversight

- National Strategy to Prevent Food Loss and Waste
- National Strategy to Prevent Plastic Pollution
- TSCA Reviews

President Trump Tariffs



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Phillip L. Swagel, Director

December 18, 2024

Honorable Chuck Schumer
Majority Leader
United States Senate
Washington, DC 20510

Honorable Sheldon Whitehouse
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Honorable Ron Wyden
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Re: Effects of Illustrative Policies That Would Increase Tariffs

Dear Leader Schumer, Chairman Whitehouse, and Chairman Wyden:

You asked about the budgetary, economic, and distributional effects of policies that would raise tariff rates on goods imported into the United States. Specifically, you asked the Congressional Budget Office to estimate the effects of permanently increasing the existing rates of duty on imports from all countries by the equivalent of 10 percent of the value of goods and the effects of permanently increasing the existing rates of duty on imports from China by 60 percent of the value of goods. You also asked CBO to estimate the effects of combining those two policies—a 60 percent tariff on imports from China and a 10 percent tariff on imports from the rest of the world. In each case, the increased tariffs would apply to all goods imported after December 31, 2024, including imports that are currently subject to a zero percent duty rate and imports from partners in current trade agreements.

I am writing with our preliminary assessment of the effects of higher tariffs under those policies.

www.cbo.gov

FPA – State Advocacy Continues!

Issue	Bills	States	
EPR	8	3	NJ, NY, WA
Recycled content	5	4	MD, MA, NJ, WA
Compostable packaging	0	0	
Preemption and municipal authority	4	3	MA, MO, MT
Plastics	16	7	IL, IN, ME, NH, NJ, NY, VA
Single-use bags	0	0	
Polystyrene	6	4	IL, MT, NY, VA
Straws	1	1	NY
Toxic chemicals	0	0	
Other	32	10	CA, KY, MA, MT, NV, NH, NJ, NY, ND, TX
TOTAL	**72**	**17**	**CA, IL, IN, KY, MA, MD, ME, MO, MT, ND, NH, NJ, NV, NY, TX, VA, WA**

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