



George V. Voinovich

United States Senator • Ohio



Senator George V. Voinovich (R-OH) today sent the following letter to the Senate Finance Committee urging them to help struggling companies and their employees in the stimulus package. Sen. Voinovich's plan will help these companies – many of which are Ohio manufacturers – to use tax credits early this year to stimulate their businesses, turn profits and possibly even create new jobs. He's also planning to introduce this as legislation soon.

Simply put, Sen. Voinovich is recommending that companies currently operating in the red receive a refund for corporate AMT credits on their books instead of bonus depreciation deductions as long as the money is used to expand operations in the United States. Bonus depreciation deduction has already been included in the House compromise but doesn't help companies that don't have any income to deduct their expenses because they're not making any money. Ironically, these are the companies that are in most need of relief during a strained economy, but aren't receiving it.

This recommendation, outlined in the below letter, is also fiscally responsible because it simply allows for the speedier use of tax credits that would be used anyway in the future – therefore costing nothing in the long term for taxpayers. Please see the letter attached and the text below:

January 28, 2008

The Honorable Max Baucus
Chairman, Senate Finance Committee
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Charles Grassley
Ranking Member, Senate Finance Committee
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Baucus and Ranking Member Grassley:

I commend you for holding a series of hearings last week in the Finance Committee regarding the state of the economy and the possibility of a stimulus package. I found the various testimonies very insightful and I look forward to observing the mark-up scheduled for this week regarding the details of the Finance Committee's stimulus package. While I am deeply concerned about our country's long-term fiscal health and our nation's debt, I believe our economy needs a boost to spur growth. As you continue to draft stimulus legislation that will meet the goal of being timely, targeted, and temporary, I urge you to focus the relief package on fiscally responsible provisions that will encourage economic development in the form of investment and job creation.

As part of the current discussions on the economic stimulus package, some of our colleagues have suggested providing bonus depreciation as an incentive for business investment. Bonus depreciation was included in the House stimulus package, which the White House supports. Many companies in the manufacturing sector, however, are not paying regular income tax and have not for many years because of significant losses. Many of my constituents in Ohio are in this unfortunate situation. For many companies, in particular those in a loss position, bonus depreciation or other investment incentives do not provide a substantial financial incentive to increase investment because they do not have sufficient income against which to take the deductions. Ironically, these companies are the most vulnerable in an economic downturn.

Respectfully, I would like to suggest a proposal to allow a corporate taxpayer making investments that would otherwise qualify for the proposed bonus depreciation deduction to claim a certain amount of accumulated AMT credits it could not otherwise use in lieu of claiming bonus depreciation. Corporations would have to qualify under the bonus depreciation rules by purchasing and placing into service new property and equipment.

The credit could not exceed the value of the tax savings the corporation would have achieved from bonus depreciation (if the corporation was profitable and could have used bonus depreciation.) By allowing the AMT credits to be carried back to tax liability from previous years, these loss companies could use the credits to get an immediate refund of previous tax liability in return for making new investments. I would recommend an unlimited carryback for this purpose.

Allowing these companies to recover their accumulated credits after they have made new capital investments would help to realize fully the intended economic benefits of the bonus depreciation provisions and would put such companies on equal footing with profitable companies. The proposal does not create any tax benefits that the company does not already possess. The proposal merely allows corporations with accumulated AMT credits to accelerate the use of these tax benefits and only to the extent they would be otherwise eligible for bonus depreciation.

I believe this provision is fiscally responsible because it involves an acceleration of existing tax benefits rather than creation of new benefits, and should be considered a targeted option for stimulating the economy. It directly provides tax relief to the corporations who need it most and would utilize an increase in their cash flow for increased investments. As Ohio businesses are struggling, this provision would provide direct relief to the corporations that are feeling this economic downturn the most and would encourage both investment and job creation.

Again, thank you for your leadership on this critical issue. Without this provision, bonus depreciation only helps profitable companies while excluding companies operating at a loss. As you move forward, please feel free to contact, Jan Fowler or George Callas of my staff, with any questions or concerns at 202-224-3353. I look forward to our continued partnership to address this challenge and hope to see a balanced proposal that would both stimulate the economy in the short-term as well as encourage American businesses to invest for the future.

Sincerely,

George V. Voinovich
United States Senator

cc: Treasury Secretary Henry Paulson, Jr.
Majority Leader Harry Reid
Republican Leader Mitch McConnell
OMB Director Jim Nussle
NEC Director Keith Hennessey

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