

WORD FROM WASHINGTON



Expensing Allowance Helps Stimulate Economic Growth

(NAPSA)—America's manufacturing technology industry and its customers may have finally gotten the shot in the arm needed to recover from the worst market conditions since the Great Depression. While the recession may already be easing for some segments of the economy, manufacturers and those who sell goods and equipment to them have been hard hit.

The economic stimulus bill, which contains a new 30 percent expensing allowance for machine tools and other equipment, and was recently overwhelmingly passed by Congress and signed into law by President Bush, may help to turn that around. That increased investment will boost their productivity and make U.S. manufacturers more competitive, a sure route to sustainable economic growth, more jobs and better wages.

In addition, the economy is showing glimpses of a recovery. The promising indicators of consumer confidence—increased consumer expectations, a rising number of housing starts, and the index of leading indicators—all point in the right direction for an economic rebound. By the third quarter of 2002, manufacturing technology equipment builders may feel the upturn. That makes the timing just about perfect for this year's International Manufacturing Technology Show (IMTS), the largest exhibition of machine tools and related technology in the Americas. Why? Because the



Carlson: Tax relief on manufacturing equipment means higher productivity, increased wages and economic growth.

economic indicators are showing a high level of consumer confidence and consumer expectations are moving upward. The show, which will be held in Chicago from September 4 to 11, 2002, gives attendees the opportunity—and motive—to buy the manufacturing technology to meet their companies' needs.

Manufacturers can use the newly enacted expensing allowance as a major justification for ordering new productivity-enhancing equipment now instead of postponing purchasing decisions. Depending on what a manufacturing company produces, if it orders a new machine tool, it can write off 40 to 44 percent of the asset in the first year (compared with 14 to 20 percent under the old law). This adds up to a first year tax cut of 8.5 to 9 percent and a 2.5 percent reduction in the cost of capital.

“President Bush and our representatives in Washington clearly recognize that there are serious problems facing the nation's capital equipment manufacturers,” said Don F. Carlson, president of The Association For Manufacturing Technology (AMT). “The expensing of 30 percent of equipment purchases contained in the newly passed economic stimulus package shows that. It provides the engine that will drive the investment that will pull our economy out of recession while providing long-term increases in productivity. I congratulate them on adopting this pro-growth legislation. It is good public policy.”

The temporary tax relief applies to equipment ordered between September 11, 2001 and September 11, 2004 and placed in service by December 31, 2004. That the 30 percent expensing allowance survived to final passage and enactment is due in no small way to the many AMT members and other capital goods producers that let their Members of Congress know of the desperate situation the industry is facing.

AMT—The Association For Manufacturing Technology is a Washington, D.C.-based trade association. AMT is engaged in supporting, enhancing and promoting the manufacturing technology activities of its 370 member companies who manufacture machines, related equipment, products or software used in the process of manufacturing discrete durable goods. To learn more, visit the Web site at www.AMTonline.org.