

MMA Supports House Bill 4324 – Rep. Luke Meerman

Bonus Depreciation

Mr. Chairman, Majority Vice Chair Tisdell, Minority Vice Chair Yancey, and committee members, thank you for the opportunity to testify in support of House Bill 4324.

First, let me describe MMA and its members. MMA represents about 1,700 members in the largest sector of the Michigan economy, making up about 19% of its gross state product. Manufacturing employed 628,500 people as of January 2020, though this is down about 60,000 employees due to the pandemic. Our members include large iconic companies such as GM, Ford, Stellantis, Magna, Dow, and Kellogg, but 85% of our members have 100 or fewer employees. So, manufacturing is largely composed of lots of small businesses across the state.

I am here to support HB 4324 and accelerated bonus depreciation in the federal Tax Cuts and Jobs Act, which allows full depreciation in the first year. While manufacturers have fared better than some sectors in terms of being open, manufacturers face very real cash flow challenges. Upon reopening, companies face increased costs for personal protection equipment and reconfiguring operations to meet safe distancing requirements. On top of that, the interruption of operation creates a cash flow crunch, because manufacturing is a capital-intensive business. Restarting operations requires expenditures in raw materials, inventory, wages, and other costs, but the return on that investment tends to come much later with payment terms of 60, 90, 120 days or longer. The interruption of operations creates a cash flow challenge for manufacturers that can have delayed impacts.

This bill helps alleviate some of those cash flow challenges by accelerating the depreciation schedule available under federal law. This will help many manufacturers as they invest in new equipment to grow their businesses. For this reason, we support HB 4324.

Thank you for the opportunity to share our views. We are happy to take any questions you may have.

For more information, please contact Mike Johnston, MMA VP of Government Affairs at Johnston@mimfg.org or 517-487-8554.