AMERICAN CARS, AMERICAN JOBS ACT OF 2018

Too many incentives still exist for automakers to downsize their U.S. workforces and offshore auto jobs from the U.S. Ohio workers in Youngstown witnessed that firsthand earlier this year when GM announced that it would begin production of the Chevy Blazer in Mexico on the very same day 1,500 workers at the Lordstown, Ohio plant worked their last shift. GM cited insufficient demand for the Cruze, which is made at the Lordstown plant, as the reason for the layoff. The year before, GM laid off the third shift for the same reason. To create more jobs in the U.S. auto sector, it is critical that we establish a policy structure that puts U.S.-made cars on equal footing with foreign-made vehicles. It is also imperative that the U.S. tax code does not create incentives for auto companies to offshore jobs to Mexico or any other country.

The American Cars, American Jobs Act of 2018 includes two provisions designed to establish parity between American-made and foreign-made vehicles to make it too costly for auto companies to lay off workers in the U.S. and hire workers overseas.

Specifically, the American Cars, American Jobs Act of 2018 would level the playing field for U.S.-made vehicles by establishing a targeted, temporary program that provides consumers with a $3,500 price deduction on a purchase or 5-year lease of a new, American-made passenger vehicle. A passenger vehicle qualifies for the rebate program if: 1) at least 45 percent of its content is identified as U.S./Canadian under the American Automotive Labeling Act (AALA); and 2) if final assembly of the vehicle is done in the U.S. Nearly 100 vehicles, including all passenger vehicles made in Ohio, qualify for this program based on the 2018 AALA list. The rebate is provided to consumers at the dealership, and the dealership is subsequently reimbursed by the U.S. Government. Individuals are eligible for only one $3,500 rebate, and the dealership must offer the rebate in combination with any other offers available to the consumer. The program expires either at the end of two years or when all funding for the program runs out.

The American Cars, American Jobs Act of 2018 also addresses GM's decision to produce a Mexican-made Blazer by changing an offshoring incentive in the new GOP tax law. Under the GOP tax law, profits on foreign-based U.S. company subsidiaries (called Controlled Foreign Corporations) are taxed at 0 percent unless they exceed 10 percent of that subsidiary's value. Profits exceeding 10 percent of the subsidiary's value are taxed under the GOP tax law at 10.5 percent instead of the full corporate tax rate of 21 percent. This corporate carve out creates an incentive for companies to earn more profits overseas. The American Cars, American Jobs Act will close this loophole by amending Section 250 of the U.S. tax code to deny this lower overseas tax rate to auto companies that meet both of the following criteria: 1) the company's number of full-time U.S. employees is less than the number of full-time U.S. employees employed by that company on the day the tax bill passed; and 2) the same company increased the number of full-time employees working for its Controlled Foreign Corporations in the same taxable year. If an auto company meets both the criteria in any given tax year it would pay the full 21 percent, instead of the 10.5 percent, on of its foreign-earned income that exceeds 10 percent of a Controlled Foreign Corporation's value.

Through these provisions, the American Cars, American Jobs Act of 2018 would make it easier for U.S. auto workers to compete against foreign auto workers and make it more costly for companies to choose to offshore their production overseas.