

Utah Tax Review Commission Meeting

June 30, 2016

Nucor Steel's position on single sales factor apportionment

Nucor Corporation and its affiliates maintain a significant manufacturing presence in Utah with a capital investment of nearly \$500 million and Utah wages of \$95 million paid to 1,250 teammates across the state. Nucor also supports the local community with over \$200k in donations annually to surrounding school districts, charities and public service organizations.

This letter addresses the questions asked by the Tax Review Commission in regards to the single sales factor apportionment formula.

Nucor does support allowing manufacturers to use a single-sales factor apportionment formula. Manufacturers in NAICS categories 31-33 should be given priority for future expansion of single sales factor apportionment.

Manufacturers will benefit from single sales factor apportionment because their investment in capital and employment in the state will no longer negatively contribute to their income tax burden. Support for the manufacturing sector is beneficial to UT's economy as a whole. According to the National Association for Manufacturers, for every \$1.00 spent in manufacturing, another \$1.40 is added to the economy. That is the highest multiplier effect of any economic sector. In 2014, the average manufacturing worker in the US earned just over \$79,000 annually, including pay and benefits, compared to the average of \$64,000 across all industries.

Allowing single sales factor apportionment will keep Utah competitive with other states in attracting manufacturing investment. Twenty-two states, including neighboring CO, currently allow or require triple or greater weighting of the sales factor or single sales factor with a handful of additional states specifically allowing manufacturers to use single sales factor.

Allowing taxpayers **an annual** election between apportionment formulas gives them the most flexibility to react to cyclical business conditions.

Nucor does believe single sales factor apportionment would act as an incentive because it would remove the current income tax burden associated with the addition of plant, equipment and employment.

At Nucor, we believe that a strong manufacturing sector is necessary for sustainable economic growth and job creation. Manufacturing jobs provide good wages that support American families. Every one job in the American steel industry supports nearly seven jobs in the economy. A study by Dr. Timothy Considine of the University of Wyoming found that every \$1 increase in sales by the steel sector increases total output in the U.S. economy by \$2.66. For these reasons, we believe that any tax system should encourage capital investment, innovation and job creation in our manufacturing sector.

Unfortunately, the American steel industry competes in a global market against foreign steelmakers who continue to receive generous, and illegal, subsidies from their governments. Their unfair trade practices distort the market and are driving a surge of imports into the U.S. market at prices that make it difficult for American companies to compete. Until we and other American manufacturers can be part of a global market where everyone is playing by the same rules, having the ability to use a single sales factor apportionment formula would provide a targeted means of leveling the playing field and addressing this competitive disadvantage.