2016—The Year for Capital Investment

POWERFUL TAX INCENTIVES BACK IN PLACE

In nothing short of historic fashion, Congress has enacted legislation making enhanced and indexed Section 179 Expensing permanent. The same legislation also extends Bonus Depreciation for five years, retroactive to January 1, 2015 through December 31, 2019. Clearly, 2016 is the year to make capital investments.

“These are fantastic gains for NPES members, their customers and all capital goods manufacturers,” said NPES President Ralph Nappi. “They are the result of years of NPES advocacy, and the growing understanding in Congress of the economic power of rapid expensing of capital investment,” he added. “I congratulate and thank all who brought this legislation to fruition by their personal and corporate commitment to these top NPES Government Affairs priorities,” Nappi concluded.

Here are descriptions of the new Section 179 and Bonus Depreciation tax law provisions:

• **Section 179 Expensing**

The now permanent Section 179, retroactive to January 1, 2015, extends the small business expensing limitation and phase-out amounts in effect from 2010 to 2014 ($500,000 and $2 million, respectively). In 2015 these amounts had reverted to $25,000 and $200,000, respectively. Both the $500,000 and $2 million limits are indexed for inflation beginning in 2016. The special rules that allow expensing for computer software are also permanently extended.

• **Bonus Depreciation**

Although not permanent, Bonus Depreciation is extended for property acquired and placed in service during 2015 through 2019 (with an additional year for certain property with a longer production period). The Bonus Depreciation percentage is 50% for property placed in service during 2015, 2016 and 2017 and phases down, with 40% in 2018, and 30% in 2019. The provision continues to allow taxpayers to elect to accelerate the use of AMT (Alternative Minimum Tax) credits in lieu of Bonus Depreciation under special rules for property placed in service during 2015. The provision also modifies the AMT rules beginning in 2016 by increasing the amount of unused AMT credits that may be claimed in lieu of Bonus Depreciation.

• **Differences Between Section 179 and Bonus Depreciation**

Whereas Section 179 applies to both new and used equipment, only new equipment qualifies for Bonus Depreciation. Additionally, Bonus Depreciation has no dollar limitations like Section 179, and so can be applied to very large capital investments. Also, businesses with a net loss in a given tax year may qualify to carry forward the Bonus Depreciation to a future year. When applying these provisions, Section 179 is generally taken first, followed by Bonus Depreciation—unless the business has no taxable profit in the given tax year.

According to NPES Government Affairs Director Mark Nuzzaco, “with the new tax law in place, NPES will now focus on making Bonus Depreciation permanent, and thus end the economic uncertainty of temporary tax
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policy and firmly establish the benefits of Bonus Depreciation, which include long-term growth of GDP, capital stock, wages and jobs.”

NPES congratulates and thanks congressional leaders, other members of congress and the president for their leadership and support of these much needed and long-awaited changes to the U.S. tax code, which will greatly facilitate productivity—improving capital investment and a stronger U.S. economy. Additionally, NPES encourages its members to thank their elected representatives in Washington, D.C. who voted for these important measures. Congressional roll call votes are found at: www.congress.gov/roll-call-votes, and to contact your elected representatives, go to: www.usa.gov/elected-officials.

To better understand these powerful investment incentives and for an online 2016 tax calculator see: www.Section179.org.

‘Caveat’—it is important to note that the effect of federal tax law varies from state to state.

Additionally, NPES cautions that this article and references herein are solely informational and do not constitute legal, financial, investment or other advice from NPES. Readers are advised to seek professional counsel from their own financial, accounting and legal advisors to apply these new incentives and other tax laws to their particular circumstances.

For more information, contact NPES Government Affairs Director Mark J. Nuzzaco at phone: 703/264-7235 or e-mail: mnuzzaco@npes.org.
One on One with Mal Baboyian

Based on your responsibilities at Canon, driving growth for its Large Format Solutions and Production Print Solutions divisions, and previously with Océ, heading its Digital Document Systems division, what key changes and trends do you see in these markets?

I have been fortunate to see the changing shape of the printing industry for several decades and I can tell you that it’s an exciting time in the printing industry. Specific to the Production Print Solutions, we have seen the emergence of inkjet technologies come to the forefront, and digital printing as a whole take a more significant role in the industry. The reasons are simple: quality is starting to match that of offset technology integration, including print-to-web and web-to-print and the ability to develop unique messages and market 1:1 to the end-user. The other key change is the communal aspect of the industry. We recently hosted over 350 people at thINK, the User Group of Canon Solutions America customers. During this event, we had customers from all segments and locations come together to discuss the value and ever-changing landscape of inkjet technology. They came in as competitors and left as colleagues—the spirit of “co-opetition” and community is alive through thINK and organizations like NPES.

How have your customers’ needs changed over the past several years, and how is Canon responding to these changes?

Customers are more receptive to consultation and respect the role partnership plays between them and Canon Solutions America. They still need to understand how products and solutions work, but the conversation is now around building a business with the technology. They look to us to provide industry knowledge, sales training, workflow expertise, and both marketing and technical insights. Therefore, our organization has evolved to include subject matter expertise in areas outside of printing so that we can continue to deliver value to the customers we serve.

As newly installed NPES Chairman, you will oversee the rollout of several trailblazing new initiatives. Which are you most excited about?

As one great author wrote, “The world has become flat.” No more is that evident than the fact that NPES is opening an office in Indonesia, currently one of the world’s fastest-growing economies. This represents a movement to work with companies in Southeast Asia, learn from their printing expertise, and draw networking opportunities for our members. We can’t lose sight of the programs and events that have made NPES the strong organization it is today. Specifically, the upcoming PRIMIR 2.0 meetings and studies that will be delivered in 2016.

Of course, there is also new life being brought to NPES in the form of a new location for GRAPH EXPO 16. The format allows for several locations, starting with Orlando in 2016, back to Chicago in 2017, and other exciting locations in the future. We know this will allow us to better support the entire country due to diversification in location.

Today the limits, and even the very definition of print, continue to change and evolve. Looking ahead, what do you see for the industry in the next three to five years? And why are you optimistic about the future?

Technology. Print is becoming high-tech before our very eyes. Through technology and the emergence of digital printing, I believe we are on the cusp of a new era in print. We are seeing people from non-print backgrounds join our industry and challenge the traditional make-up of the traditional printer. This can only mean a transformation for the future and a solidification of print’s role in an omnichannel market. Canon Solutions America, and NPES and its members are well positioned for this new era in printing, and I genuinely look forward to the coming years as printing continues to evolve and amaze the world...
Designers and printers seeking the latest solutions for producing consistent color results across the print production process, need look no further than the NPES-ICC Color Management Conference coming March 17, 2016 to the PoliMedia School in Jakarta, Indonesia. The full day conference will be held in conjunction with NPES’s inaugural member trade mission to Indonesia, which will provide an in-country opportunity to promote U.S. technologies and companies.

Produced by NPES The Association for Suppliers of Printing, Publishing and Converting Technologies, USA; the International Color Consortium (ICC); Indonesia Print Media Association (PPGI); and, supported by the PoliMedia School and the International Trade Administration (ITA), the event will bring together nearly 200 print leaders from throughout Indonesia.

Designed for end-users, the full day conference, themed “Making a Future with Color Management,” will inform participants about the effective use of color management with the latest updates on effective solutions to correct color inconsistency and color communication problems. Designers and printers will learn new results-driven strategies and tactics, gain the latest “best practices,” plus, learn ways to innovatively, effectively and profitably respond to evolving market changes, and adapt to emerging future markets.

The NPES-ICC Color Management Conference is a must-attend event for graphic designers, publishers, art directors, packaging buyers, prepress managers, press supervisors, production managers, quality control managers, digital photographers, as well as those from any company or industry where achieving accurate and consistent color is critical.

Among the renowned industry-leading color experts invited to share the latest ICC color management trends and applications are: William Li, ICC Co-Chair and Color Technology Manager, Kodak; Marco Boer, Vice President, IT Strategies; Steve Smiley, President, Smiley Color & Associates Global Brand Solutions; Elie Khoury, President, Alvan Color Expertise; Phil Green, Professor, Colour and Visual Computing Laboratory.
When Print Gets Personal

Today, most consumer brands are looking for creative and innovative ideas to better connect with their target consumers. Millennials, for instance, are driven by ideas and products that are new, different, cool, and innovative—that connect with them on a personal level. When and if they do connect, they tell others through social media and can become “ambassadors” for the product or brand. However, they require regular, ongoing engagement—further driving the need for new concepts, rapid time to market, and effective communication.

Packaging (design and execution) is an exciting new frontier in which to convey personalized and engaging outreach, but the conventional print process is not well-suited for rapid time to market with lots of versions. Enter the HP SmartStream Mosaic, a tool to help the creative community with personalization and customization that provides the ability to scale and support the need for faster time to market without compromising the brand identity and value proposition to engage customers and generate great response.

HP’s partnership with Coca-Cola is a case-in-point of brand-driven innovation with the “Share a Coke” campaign. This campaign that launched in the United States in the summer of 2014 added more than 250 popular names, nicknames and terms of affection to customized Coca-Cola products. Printed on HP Indigo WS6000 series Digital Presses, the personalized labels captured broad graphic pattern files while offering privacy and quality required to meet Coca-Cola’s weekly production minimums, and hit launch volume specifications. Plus, HP supported the production with 24/7 technical service to maintain maximum press utilization. This campaign was also executed in Europe and Latin America with popular names from those regions using regionally appropriate scripts.

Now a proven solution, HP’s SmartStream Mosaic-based system fueled another recent brand collaboration, this time with Bud Light, to leverage the mass versioning technology to craft a custom and shareable experience. The Anheuser-Busch team reviewed and understood the potential to execute one-of-a-kind cans for their Mad Decent Block Party promotion events.

So, during the summer of 2015 Bud Light partnered with the HP team and HP customer (converter) to produce the mass customization for this first beer campaign in the U.S.

The innovative HP technology drives the ability for automation and scale to create millions of unique designs based on any number of graphic pattern files while offering fast turnaround of highly customized campaigns where every item is different. Combined with the HP Indigo WS6800 digital press and tight integration to the converting process, this award-winning design software is helping world-leading brands deliver one-of-a-kind packaging campaigns.

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GAERF Scholarships Support Student Contenders at National SkillsUSA Competition

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ince 2007, the Graphic Arts Education and Research Foundation (GAERF) has offered scholarships to postsecondary and secondary school students who win at the State level in the SkillsUSA competition for Advertising Design, Graphic Communications and Screen Printing Technology. These $250 scholarships are provided to cover a portion of the travel expenses students incur to travel to the National SkillsUSA competition.

Last year, the annual National SkillsUSA competition, held June 22-26, 2015 in Louisville, Kentucky, hosted over 6,000 student contestants competing in 100 different trade, technical, and leadership fields, showcasing the top career and technical education students in the nation. For this event, GAERF scholarships provided support to 25 Screen Printing Technology students (3 postsecondary winners); 55 Advertising Design students (19 postsecondary winners); and 26 Graphic Communications students (4 postsecondary winners).

In addition to providing monetary scholarship support to student competitors, GAERF:

• Works to engage support from industry partners, schools, and related nonprofit entities to design the competition
• Reviews technical specifications to ensure they reflect correct/current industry practice
• Provides competition judges, and
• Seeks equipment and material donations for the actual competition.

SkillsUSA’s 2015 Graphic Communications competition welcomed support from Baumfolder, Heidelberg, Print Craft Supply, Ricoh, and Xerox in addition to large printer conglomerations: Quad/Graphics and RR Donnelley. Several schools and nonprofits provided technical support and guidance including: Austin High School, Dakota County Area Learning Center, Ferris State University, Printing Industries of America, Saline High School, and William D. Ford Career-Technical Center. Additional support was provided by Preferred Marketing Solutions, Publishers Press, Southwire Company, LLC, and Vivid Impact.

SkillsUSA offers tremendous opportunities to hone students’ leadership and skills development and training. Without the support of industry players SkillsUSA competitions would be unattainable for these students—the best and brightest among the print industry’s future workforce. The 2016 National SkillsUSA competition will take place June 21-24, 2016 in Louisville, Kentucky. Learn more about how your company can get involved:

• For information about the SkillsUSA National Competition, visit: www.skillsusa.org/events/national-leadership-and-skills-conference-3/
• For information about the SkillsUSA Local and State Competition, visit: www.skillsusa.org/competitions/state-and-local-competitions/

GAERF’s mission is to advance knowledge and education in the field of graphic communications by supporting programs that prepare the workforce of the future. To learn more about other GAERF programs and services, contact: Judy Durham, Managing Director, GAERF at phone 703/264-7214 or e-mail: jdurham@npes.org.
According to the PRIMIR study findings, the majority of printers anticipate growth in their direct mail volume over the next few years.

**New PRIMIR Research: TRENDS AND FUTURE OF DIRECT MAIL MARKET**

PRIMIR, the Print Industries Market Information and Research Organization, the research unit of NPES, announces completion of a new research study, “Trends and Future of Direct Mail Through 2020,” authored by INTERQUEST. Based on the evolution of the direct mail market—from the 2009 recession, to the economic recovery of 2010-2014, and modest growth during 2015—the new study examines the impacts of changing consumer demographics and preferences, how direct mail has changed, and provides an outlook for the future.

The “Trends and Future of Direct Mail Through 2020” study identifies verticals using direct mail, utilization of new technologies including variable data printing, QR codes, URLs, augmented reality, 3D and more. The study also delves into changes in manufacturing technology, the role of ‘big data,’ and supply chain needs. Additionally, the research explores end-user (brand owner) perspectives on: direct mail vs. other marketing media, response rates, and generation reach differences; drivers for utilizing direct mail including cost, quality, timing; and, other newly identified drivers.

According to the PRIMIR study findings, the majority of printers anticipate growth in their direct mail volume over the next few years, and also digital print volume to increase driven by innovations in color and inkjet. Key market trends they noted were: digital color printing, targeting and personalization, industry consolidation, and multi-channel communication. Among the toughest challenges they identified were: price pressure, postage cost increases, and the level of investment required to remain competitive. On the upside, they viewed personalization, postage expertise, and greater automation as their best business opportunities. Interestingly, providers project that non-print services will account for nearly half of their revenue in three years.

Although more direct marketing dollars are being funneled to online and mobile channels, companies remain highly committed to direct mail. They insist direct mail is one of their most effective channels and, for most, direct mail maintains a prominent share of their direct marketing budget. While mailers are just beginning to wrap their arms around integrated marketing, using more digital channels, their use of digital media has not negatively impacted their view or use of direct mail.

Direct mail has experienced growth over the past two years, a trend expected to continue in the years ahead as the print industry continues to evolve. However, printing firms will continue to face unique new challenges. Postal expertise will be the primary value-add for solidifying a printer’s role in effectively implementing customers’ direct mail campaigns.

The new research study, “Trends and Future of Direct Mail Through 2020,” was recently distributed to all PRIMIR members, along with an informative study overview video that can be accessed at: http://tinyurl.com/DirectMail-to-2020. This study is available for purchase by non-members for $3,500. For more information, contact Rekha Ratnam, Assistant Director, Market Data/Research, at phone: 703/264-7200, e-mail: ratnam@primir.org, or visit: www.primir.org.

**PRIMIR EXAMINES: The Future of Print in the U.S.—Landscape, Implications and Opportunities**

As key outside forces drive huge change for the U.S. commercial print industry, understanding the future landscape through the lens of major outside industry drivers, can reveal new business opportunities. Recognizing the impacts—which include changing consumer preferences, the direction of both the U.S. economy and print-related industries (technology, advertising, publishing and packaging)—is critical.

The new 2015 PRIMIR study, “The Future of Print in the U.S.—Landscape, Implications and Opportunities,” produced for NPES/PRIMIR by the Economist Intelligence Unit, sheds light on what lies ahead driven by several significant trends, which include the:

- Evolution of the consumer experience
- Rise of data
- Importance of mass personalization and product differentiation, and
- The role of social media in content generation and consumption.

Watch an informative video preview http://tinyurl.com/Future-of-Print of “The Future of Print in the U.S.—Landscape, Implications and Opportunities” study with NPES President Ralph Nappi and David Humphreys, Custom Research Director at The Economist Intelligence Unit.

The study has been distributed to PRIMIR Members and will be made available to non-members. For more information, contact Rekha Ratnam, Assistant Director, Market Data/Research, at phone: 703/264-7200, e-mail: ratnam@primir.org, or visit: www.primir.org.
Over the same period, the total market (traditional printing equipment, graphic arts supplies and production digital color presses) increased 8% to nearly $2.3 billion.

**Market Intelligence News**

**TRENDS IN SHIPMENTS FOR EQUIPMENT AND SUPPLIES AND THE TOTAL MARKET**

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**During the first three quarters of 2015, the market for production digital presses increased 14% to nearly $1.6 billion ($1.4 billion—same period in 2014).** Over the same period, the total market (traditional printing equipment, graphic arts supplies and production digital color presses) increased 8% to nearly $2.3 billion ($2.1 billion—same period in 2014). See the chart (above) for more details on the total market [YTD].

During the first three quarters of 2015, shipments for traditional printing equipment fell 4% compared to the same period in 2014 [$259 million vs. $270 million]. Printing equipment and graphic arts supplies shipments are nowhere near their 2008/2009 levels or years prior, and probably will never be. Printing equipment shipments started out strong in the first quarter of 2015, but steadily decreased through Q2 and Q3. Over the first three quarters of 2015, shipments of supplies continued to decline 5% [$443 million vs. $468 million], over the same period in 2014.

On the upside are the continuing steady increases in total market shipments since 2010 (besides a slight dip in 2012), mainly due to increases in shipments of digital presses that are also at their highest level since 2010. Typically, the increase in digital press shipments has a strong correlation with the dampened traditional pressroom equipment market and continuing shift of some offset work to digital presses. However, with the continued growth of both pressroom equipment and digital presses in 2015, it will be interesting moving into 2016 to watch the trends in these two areas.