PRINTING INDUSTRIES OF AMERICA
Comments to the
HOUSE WAYS & MEANS COMMITTEE
SMALL BUSINESS/PASS-THROUGH BUSINESS WORKING GROUP

Printing Industries of America, the world’s largest graphic arts trade association representing printing and graphic communications companies is pleased to offer comments regarding tax reform and the impact of certain tax policy.

Overview of the Printing Industry

The average printing company employs 27 workers; 60 percent are family-owned businesses. At the end of 2012, there were approximately 47,000 printing and related establishments in the US employing around 970,000 workers. Despite tough economic times that saw the industry lose over 75,000 jobs in the past four years, Printing Industries of America predicts on average 3.0 percent to 4.0 percent growth in 2013 for companies that continue to weather the slow economic recovery, but overall print industry sales are forecasted to decline by about 1.0 percent due to the number of firms going out of business over the year. Printing and graphic communications companies are ready to come back and it’s critical that tax policies are in place that will allow us to do so. That’s why Printing Industries is pleased to offer comments and suggestions regarding Chairman Camp’s discussion draft on tax policy as it relates to small business, and, in particular, small printers.

The overall goals of lower rates for individuals and employers and simplifying tax rules concerning small business in order to reduce the impact of tax costs and complexity are ones Printing Industries of America supports. The association recognizes that lawmakers face many difficult decisions ahead in reforming the code and we commend the Chairman and other Members for their work in tackling the issue of comprehensive tax reform. To that end, Printing Industries offers the following comments:

Section 179 Expensing

Printing Industries of America supports increasing and making permanent Section 179 expensing to allow small businesses to deduct investments in new equipment and property. While most of our industry is made up of small businesses with fewer than 30 employees, our capital equipment needs are significant and many printing presses and machines are very expensive and start at a few hundred thousand dollars and range into the millions. Printing companies have commonly maxed their Section 179 deduction and then still turned to accelerated depreciation to support their investments in the business. In the environment of a rapidly changing communications marketplace, it is vital that small printers be able to continually modernize their product and service offerings. There are tremendous growth opportunities in combining old school ink-on-paper printing with online and social media technologies, but it takes serious capital investment in order for small printers to evolve.
Small printers across the country would benefit similarly in their ability to grow if section 179 expensing was made permanent. According to Printing Industries of America’s research data, even the smallest printers plan to invest this year—typically $50,000 and one-in four plans to spend less than $10,000. Generally, higher profit printers are more likely to invest in capital equipment and to invest higher amounts than lower profit printers. Additionally, it is these profit leading printers that are more likely to create new jobs so there is a positive relationship between capital investment and job creating in the printing industry. The impact is also positive for small suppliers that manufacture printing equipment, many of which are also members of Printing Industries of America.

**Cash Accounting Rules**

Many small printing plants with an average of $3.3 million in annual sales would find new cash accounting rules helpful. However, with this proposal, C-corporations with gross receipts up to $10 million would gain the option of using cash accounting, while larger S-corporations would lose it. More than 800 printing plants are S-corporations and would fall into this category.

**Deduction for Start-Up and Organizational Expenses**

Next, establishing a unified deduction for start-up and organizational expenses is a positive step. While print is generally a mature industry there are still start-ups. In any given year there are perhaps a few hundred start-ups in the printing industry. As expected the vast majority of these start-ups are small firms---most with less than 20 employees and less than $3 million in annual sales even years after their business was started.

**Estate Tax**

Earlier this year, the Taxpayer Relief Act permanently fixed the top estate rate at $5 million, indexed for inflation. According to the Printing Industries of America, six out of 10 printing companies are family-owned. In total, there are approximately 17,000 family-owned plants in the U.S. and they employ close to 600,000 workers. Restoring certainty to the estate tax was a step in the right direction for these firms, but Congress should do more. Absent of full repeal of the estate tax, Printing Industries supports estate tax reform that would include an estate tax exemption level of $5 million and the tax rate of 35 percent. This particular adjustment of exemption levels and rates if indexed for inflation and made permanent would relieve approximately 80 percent of family-owned printers from both the destructive planning and payment of the estate tax. This approach is one our industry would welcome and support.

**Section 199 Domestic Production Activities Deduction**

Additionally, Section 199 Domestic Production Activities Deduction is one of the few provisions in the tax code that directly incentivizes manufacturing in America. Printers are manufacturers and firms claim Section 199 which amounts to a 9 percent rate reduction.
**Pass-Through Business Community**

Finally, Printing Industries urges the Committee to craft comprehensive tax reform that benefits businesses regardless of their organization structure. As an industry, printing is composed of very few public companies. Nearly 50 percent of printing firms are organized as S corporations, 32 percent are setup as C-Corporations (only a handful are publicly traded), and approximately 20 percent of the industry is comprised of sole proprietorships or partnerships. The S Corporation Association, of which Printing Industries is a member, has submitted comments to this working group and others in greater detail. Overall, it is imperative that Congress move the taxation of business income in a direction that ensures all employers, regardless of how they are structured, continue to invest and create jobs here in America.

**Conclusion**

In conclusion, Printing Industries of America urges all Members of Congress to continue this important dialogue on tax reform, and to maintain the strong focus on how comprehensive tax reform legislation will impact America’s small printers and small businesses in all industries.